FIBI FIRST INTERNATIONAL BANK OF ISRAEL

ANNUAL REPORT 2025



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The First International Bank of Israel Ltd.
and its consolidated subsidiaries

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Dear stakeholders,

I am pleased to present the financial statements of the FIBI Group for 2025.

The financial results reflect the successful execution of the Bank's strategic plan, including the achievement of key targets, accelerated growth, and strong profitability within a proportionate risk appetite. These results are a testament to the Bank's professional, high-caliber management and our unwavering commitment to excellence.

Israel has been navigating security, social, and economic challenges for over two years. The country is currently involved in a significant military conflict with Iran - a confrontation with broad global and domestic geopolitical ramifications, particularly affecting the civilian home front. This military confrontation also entails significant uncertainty and potential implications for the Israeli economy. The Bank continuously monitors developments and acts in accordance with its conservative risk management policy, while maintaining capital adequacy, high liquidity, customer support, and uninterrupted operational continuity. We remain fully confident in Israeli society's strength and in the domestic economy's resilience as they face these complex challenges, and we extend our full support to the IDF and security forces defending our country. The Bank will continue to operate with stability and responsibility for its customers and the economy as a whole during this sensitive period.

This year, we expanded and upgraded the Bank's cutting-edge financial products, digital platforms, and open banking services and operations, and we are collaborating with leading fintech companies to pursue these processes further.

Recently, we have finalized the Bank's strategic plan for the coming years, which will enable us to sustain our growth momentum, leverage past successes while maintaining adaptability, and build on the robust basis we have established for future growth and profitability, while preserving the Bank's distinctive character and drawing on its financial resilience.

The strategic vision focuses on digital processes, innovation, superior customer service, product development, and operational efficiency.

The commitment of the Bank's employees and management to delivering added value to all stakeholders - customers, creditors, and shareholders - is a prerequisite for realizing this vision.

The Bank drives competition in the banking sector and is a key player in the competitive financial arena across a broad range of business lines. The Bank's growth and innovation will strengthen its position and standing in an evolving and shifting competitive landscape.

I wish to thank the Bank's employees and managers across all organizational levels, at headquarters and in the branches, for their contribution to the Bank's achievements. I also wish to thank the Bank's senior management, led by CEO Eli Cohen, and the directors.



Ron Levkovich
Chairman of the Board

Tel-Aviv, March 9, 2026

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REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT

The meeting of the Board of Directors held on March 9, 2026, resolved to approve and publish the audited consolidated financial statements of the First International Bank of Israel Ltd. (hereinafter - "the Bank") and its consolidated subsidiaries (hereinafter - "the Bank Group"), for the year 2025.

GENERAL OVERVIEW, OBJECTIVES AND STRATEGY

DESCRIPTION OF OPERATION OF THE BANK GROUP

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

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

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

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

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

THE BANK'S RATING BY RATING AGENCIES

On May 5, 2025, the international rating agency Moody's ratified the Bank's rating at Baa1 negative outlook. On October 15, 2025, Moody's announced that it performed a periodical checkup of the Bank's ratings and did not change the Bank's rating or outlook. On February 3, 2026, Moody's raised the rating outlook of the Bank from negative to stable and on February 5, 2026 Moody's ratified the Bank's rating at Baa1 stable outlook.

On July 29, 2025, "Midrug" rating company ratified the rating of the inner financial resilience of the Bank at aa2.il, the Bank's short-term deposits at P-1.il, the long-term deposits and senior debt of the Bank at Aaa.il/stable outlook and its subordinate debt notes with a loss absorption mechanism at a level of Aa3.il(hyb)/stable outlook. On August 20, 2025, Midrug rated the commercial securities at P-1.il.

On August 20, 2025, S&P Ma'alot company rated the issuer short term rating of the Bank at ilA-1+.

On November 11, 2025, S&P Ma'alot ratified the issuer long term rating of the Bank at a level of ilAAA and raised the outlook forecast from negative to stable. Likewise, it ratified its subordinate debt notes with a loss absorption mechanism at a level of ilAA- and the issuer short term rating of the Bank at ilA-1+.

FORWARD-LOOKING INFORMATION

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

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

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

PRINCIPAL DATA AND INDICES FOR 2025

Profitability and Efficiency	**ROE** 16.2%(1)	**Net Profit** 2,260 NIS million	**Efficiency Ratio** 46.1%	**Increase in Fees** 14.4%
Capital	**Ratio of Tier 1 Equity Capital** 11.10%		**Shareholders' Equity** 14,614 NIS million	
Growth in Customers' Assets Portfolio	**Customers' Assets** 1,161 NIS billion	**Increase of** 38.4%	**Of which: Deposits from the Public** 239 NIS billion	**Increase of** 11.1%
Credit Growth	**Credit to the Public** 148 NIS billion		**Increase of** 12.9%	
Credit Quality	**NPL*** 0.46%		**Total Coverage Ratio**** 1.25%	

(1) The return on equity attributed to shareholders of the bank, excluding the excess of ratio of tier 1 equity capital above the goal set by the Board of Directors, for the year ended December 31, 2025, amounted to 19.1%.

* Ratio of non-accruing credit or in arrears of 90 days or more, to credit to the public.

** Ratio of total provision for credit losses (including provision in respect of off-balance sheet credit instruments), to credit to the public.

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES*

Principal execution indices

	For the year ended December 31,				
	2025	**2024**	**2023**	**2022**	**2021**
					in %
Return on equity attributed to shareholders of the Bank	[1]**16.2**	19.0	19.7	16.6	14.7
Return on average assets	**0.86**	1.02	1.06	0.89	0.82
Ratio of total income to average assets	**2.6**	2.9	3.2	2.9	2.6
Ratio of interest income, net to average assets	**1.8**	2.0	2.4	2.0	1.6
Ratio of fees to average assets	**0.7**	0.7	0.7	0.8	0.8
Efficiency ratio	**46.1**	44.1	43.5	50.9	58.3

	As of December 31,				
	2025	**2024**	**2023**	**2022**	**2021**
					in %
Ratio of tier 1 equity capital	**11.10**	11.31	11.35	10.42	11.46
Leverage ratio	**5.04**	5.18	5.26	5.19	5.34
Liquidity coverage ratio [2]	**129**	165	156	127	128
Net stable funding ratio	**127**	140	146	133	139

Principal credit quality indices

	For the year ended December 31,				
	2025	**2024**	**2023**	**2022**	**2021**
					in %
Ratio of provision for credit losses to credit to the public	**1.11**	1.25	1.36	1.02	1.05
Ratio of total provision for credit losses [3] to credit to the public	**1.25**	1.38	1.50	1.12	1.13
Ratio of non-accruing debts or in arrears of 90 days or more to credit to the public	**0.46**	0.53	0.60	0.48	0.63
Ratio of provision for credit losses to total non-accruing credit to the public	**251.5**	244.6	234.5	219.7	244.0
Ratio of net write-offs to average total credit to the public	**(0.01)**	(0.04)	0.03	0.03	(0.01)
Ratio of expenses (income) for credit losses to average total credit to the public	**0.01**	(0.01)	0.42	0.11	(0.23)

Principal data from the statement of income

	For the year ended December 31,				
	2025	**2024**	**2023**	**2022**	**2021**
					NIS million
Net profit attributed to shareholders of the Bank	**2,260**	2,371	2,172	1,667	1,405
Interest Income, net	**4,822**	4,740	4,966	3,803	2,794
Expenses (income) from credit losses	**19**	(16)	502	123	(216)
Total non-interest income	**2,100**	2,006	1,652	1,611	1,756
Of which: Fees	**1,777**	1,553	1,502	1,489	1,444
Total operating and other expenses	**3,190**	2,977	2,877	2,755	2,652
Of which: Salaries and related expenses	**1,769**	1,739	1,766	1,700	1,621
Primary net profit per share of NIS 0.05 par value (NIS)	**22.53**	23.63	21.65	16.62	14.00
Diluted net profit per share of NIS 0.05 par value (NIS)	**22.52**	23.63	21.65	16.62	14.00

Principal data from the balance sheet

		As of December 31,				
		2025	2024	2023	2022	2021
						NIS million
Total assets		**277,833**	248,563	221,593	195,955	180,470
of which:	Cash and deposits with banks	**83,776**	77,175	68,866	57,130	57,370
	Securities	**38,266**	34,396	26,985	16,010	15,091
	Credit to the public, net	**146,374**	129,416	117,622	115,961	101,164
Total liabilities		**262,634**	234,479	208,947	184,920	170,033
of which:	Deposits from the public	**238,509**	214,755	191,125	168,269	153,447
	Deposits from banks	**1,906**	2,508	4,314	4,821	5,144
	Bonds and subordinated capital notes	**6,791**	4,479	4,767	4,749	3,356
Capital attributed to the shareholders of the Bank		**14,614**	13,430	12,071	10,559	10,003

Additional data

	2025	2024	2023	2022	2021
Share price (0.01 NIS)	**25,050**	17,940	14,990	13,900	12,950
Dividend per share (0.01 NIS)	**1,191**	986	795	942	543
Average number of positions (4)	**3,515**	3,555	3,634	3,676	3,715

* The financial statements are prepared in accordance with the Public Reporting Directives and guidelines of the Supervisor of Banks, which primarily adopt accounting principles generally accepted in the United States (U.S. GAAP), as detailed in Note 1 to the financial statements.

(1) The return on equity attributed to shareholders of the bank, excluding the excess of ratio of tier 1 equity capital above the goal set by the Board of Directors, for the year ended December 31, 2025, amounted to 19.1%.

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

(3) Including provision in respect of off-balance sheet credit instruments.

(4) The number of positions includes conversion of overtime in terms of positions.

EXPLENATION AND ANALYSIS OF RESULTS AND BUSINESS POSITION

TRENDS, EVENTS, DEVELOPMENTS AND MATERIAL CHANGES

PRINCIPAL RISKS TO WHICH THE BANK IS EXPOSED

The Bank Group's activities are accompanied by exposure to risks, the main of which are: credit risks, including concentration (industries and borrowers); market risks, the main of which is interest rate risk; liquidity risks; operational risks, including cyber and data protection risk and information technology risk; compliance risk and anti-money laundering; strategy risk; reputation risk; legal risk; legislative and regulatory risk; model risk and local systemic risk. For further details, see the discussion of risk factors below.

The risks to which the Bank is exposed are managed by members of Management or senior executives. For credit risks, market risks and operational risks, there is a regulatory requirement for capital adequacy within the framework of Basel Pillar 1 provisions.

The Group carries out an in-depth process of identifying additional risk areas as part of the Internal Capital Adequacy Assessment Process (ICAAP) process and challenging the risk areas identified within the first pillar. If necessary, a supplementary capital allocation is made for Pillar 1 risks and an additional capital allocation is made for the remaining risks and sub-risks.

LEADING AND DEVELOPING RISKS

Leading and emerging risks are derived from the Bank's business activity environment and also include risks that may arise in new areas, or new risk centers in existing areas, which are derived, among other things, from environmental changes that affect the areas of banking activity, including the regulatory, security, competitive, digital, and other environments.

Below are details regarding the main leading and emerging risks:

1. **Macroeconomic risk -** The business results of the banking system in Israel and the Bank as a part of it, are directly affected by the economic situation in Israel and around the world. The risk level stabilized towards the end of 2025 and the beginning of 2026, against the backdrop of the decline in the inflation rate, the decline in the high interest rate in the economy, and the relative calm recorded in the security and geopolitical situation, due to the agreement for a ceasefire and the return of the hostages signed during October 2025. However, the risk level has recently increased again with the opening of Operation "Roaring Lion" and the uncertainty regarding its consequences.

   Deterioration in economic conditions (including changes in interest rates, currency, inflation, etc.), which is also affected by deterioration in political and security conditions and the global environment, may affect the financial markets and the credit rating of the State of Israel, as well as lead to damage to the business activities of the Bank Group, increase the scope of troubled debts and, as a result, affect the capital and results of the Group. For further details, see the section on Main Economic Developments, below.

   The developments as mentioned, affect the risk environment and may cause an increase in the level of various risks, including liquidity, credit, market, money laundering, cyber, business continuity, etc. The Bank closely monitors developments, both in the macroeconomic situation and in the security and geopolitical situation and its effects on the Bank, and carries out scenarios and stress tests.

2. **Strategic risk/business model** - The Bank's strategic plan reflects the changes in the Bank's operating environment and the significant increase in the intensity of competition, and is also examined against macroeconomic developments and the challenges facing the Bank. The Group strategic plan for the years 2026-2028 was approved in December 2025. Every six months, a validation is performed, and if necessary, an update is made to the strategic moves or goals.

   Changes that affect the business environment and alter the intensity of competition:

   - Changes in the type of competitors - In recent years, competition for financial services and products has expanded beyond traditional competition between banks, with the entry and deepening of the grip of new and existing players in areas of traditional financial activities, such as: digital banks, non-bank competitors, insurance companies,

investment houses, credit card companies, retail companies, startups and fintech companies that are developing innovative products in the industry, and global big tech companies.

- Change in the banking business model - The many developments that are occurring simultaneously in the various competitive arenas in the financial, banking and non-banking sectors, in regulatory changes, in the advance of technology and in changes in customer needs and preferences, are leading to change in the banking business model.
- Technological changes - the transition to digital banking and the entry of technological competitors into financial activity and artificial intelligence technology, create new technological risks and challenges and new data protection and cyber risks for which the Bank is preparing.
- Regulatory changes - The regulatory environment continues to work to promote the regulation of measures to increase competition in various areas, such as the publication of the report of the team to examine the means to increase competition in the banking system for the retail sector and the Memorandum of the Promotion of Competition in the Banking Market Bill (Legislative Amendments) 2025, followed by the publication of a call for proposals on the subject of reducing regulatory arbitrage in short- and medium-term investment and savings instruments and an interim report on the subject of remuneration models regarding the public's activity in securities, the reform proposed by Bank of Israel in the area of fees charged to households and small businesses for account management services and instant debit cards, etc. For further details, see Regulatory Risk, below.
- Changes in customer needs - risks related to changes in consumer tastes, including increasing willingness to consume financial services from non-banking entities.
- Efficiency – Further to the efficiency moves that the Bank has taken in recent years, the bank continues to become more efficient by shifting activity to digital, streamlining processes, and adapting the operating model to the changing banking environment.

Given the uncertainty that characterizes the current period, the Bank continues to closely monitor changes in the financial markets and examines the macroeconomic effects and customer behavior on the Bank's strategy and work plan. In cases where it is identified that there may be a material impact on the activity, the necessary adjustments are made. As part of the process of formulating the new strategic plan, all expected impacts were taken into account, and a scenario analysis was performed, which aimed to provide a response to the elements of uncertainty in the market.

3. **Regulatory risk** - An existing or future risk to the Group's income and capital, which may arise from changes in regulation or legislation that could affect the Group's activities and businesses. The source of the risk is the increase in regulatory requirements in Israel and around the world. Regulatory changes and the implementation of regulatory reforms increase uncertainty and competitiveness in the financial system and create a risk to the Group's income, expenses and capital, including by preventing business activity or imposing restrictions thereon. These changes also require the Bank to prepare, implement and integrate regulatory requirements that involve significant costs and investments, mainly mechanized investments. Regulatory risk is managed by the Legal Advisory Group, the Compliance Department, the Strategy Unit and the Regulatory Unit. The strategic plan and work plan refer to the aforementioned changes and their possible effects.

   In view of the war and its implications on the economic situation, among other things, on March 17, 2024, the Special Payment for Achieving Budget Goals Act (Temporary Provision – Iron Swords), 2024, was published, according to which a bank that does not have a small scope of activity (the banks in the Bank Group are included in the scope of the Act) will pay a special payment at a rate of 6% of the profit on its activities in Israel in the period that began on April 1, 2024, and ended on December 31, 2025 (for additional details, see Note 8.D to the financial statements). On March 30, 2025, the Bank of Israel announced the formulation and entry into force of a voluntary outline of financial relief for customers of the banking system, within the framework of which the banking system will allocate an aggregate amount of NIS 3 billion over two years, for the purpose of providing a variety of relief and financial refunds to households and small and micro businesses. The financial scope of each bank in the first year of the outline is derived from its relative size in profitability for the years 2023-2024. In its announcement, Bank of Israel stated that in its view the outline is more suitable for the needs of

banking system customers than specific taxation processes and various legislative processes. For further details, see "Impacts of the Swords of Iron War, Operation "Rising Lion" and Operation "Roaring Lion", below.

Within the framework of the Economic Efficiency Bill (Legislative Amendments to Achieve Budget Goals for 2026), 2026, which was published on January 19, 2026 and passed on first reading on January 28, 2026, it is proposed to establish a special tax law on bank profits in the years 2026 to 2030 (temporary provision), 2026, according to which a bank that does not have a small scope of activity will pay an additional profit tax of 15% each year, between the years 2026 and 2030, on its profits that exceed 50% of its average profits, as they were in the base period, i.e. in the years 2018-2022.

Even before the outbreak of the war and even in the period that has passed since, alongside numerous reforms and regulatory initiatives regarding competitiveness in the financial sector in general and the banking sector in particular, there has been a trend of raising regulatory and legislative initiatives, which may, among other things, directly or indirectly affect the prices of banks' services and products and the interest rates prevailing in the banking system, in relation to credit to the public, public deposits, and securities services.

In this context, it is worth noting the report of the team examining the means to increase competition in the banking system for the retail sector, published in August 2025, which was followed by the publication, on January 19, 2026, and passed on first reading on January 28, 2026, of the Economic Plan Bill (Legislative Amendments for the Implementation of Economic Policy for the 2026 Budget Year), 2026, within the framework of which it is proposed to make the necessary legislative amendments in order to enable the establishment of small banks, establish adapted supervisory mechanisms, reduce legislative barriers, and encourage competition and innovation in the banking market.

In addition, following the team's recommendations, on February 8, 2026, Bank of Israel published a draft Proper Conduct of Banking Business Directive on the subject of a supervisory framework for small and new banks, which seeks to adapt the required regulation to the size of the banking corporation and its systemic importance. The adjustments are reflected in the provisions on capital, liquidity, corporate governance, risk management, fairness, bank-customer relations, and more.

In November 2024, a call was published to receive public comments on the issue of compensation models for the public's activity in securities, with the aim of re-examining the compensation and commission models currently in use in Israel's capital market and examining possibilities for their improvement, and subsequently, the "Interim Report for Public Comment – Compensation Models for Public Activity in Securities" was published on September 21, 2025.

In February 2025, the interim report of the team to reduce the gaps in short- and medium-term savings investment instruments was published, in which it is proposed, among other things, to eliminate tax arbitrage between short- and medium-term savings instruments and apply a uniform tax benefit to them as well as a ceiling for deposits, to create a centralized platform for viewing and managing all of savers' savings and investment instruments, which will constitute a user interface for both savers and the brokers and advisors who provide them with services, create a compensation model that creates an identity of interests between the broker and the saver, and require the broker to hold an advisory license appropriate for all savings and investment instruments presented on the platform.

On July 15, 2025, Bank of Israel published a draft on the subject of the reform of the Supervisor of Banks in the field of fees charged to households and small businesses for payment account management and instant debit card services. The main point of the proposed reform is to establish a new "payment account management" service and a maximum supervised price for it - a fee not exceeding NIS 10 for 100 transactions per month, which includes the common services set forth in the Banking Rules (Customer Service) (Commissions), as well as additional services to be determined by Bank of Israel. For each additional transaction, a fee not exceeding NIS 1 will be charged. The relevant customers will be automatically added to the service and it will replace the existing routing service. In addition, the draft establishes a supervised price of NIS 5 per month for the instant debit card fee.

It should also be noted that the Competition Authority's letter dated March 26, 2024, addressed to the five largest banks (hereinafter - "the banks"), according to which the Competition Commissioner (hereinafter - "the Commissioner") is considering determining that the banks (including banks under their control) are a concentration group, and also giving instructions to the members of the group in the form attached to the letter of instructions. The letter claims that the evidence in the Authority's possession indicates that the banks account for more than half of the total supply of services in the banking services basket sector to retail customers (which includes, in accordance with the letter and the definitions contained

therein, households and small businesses whose turnover is less than NIS 50 million). It was also noted that the Commissioner's examination shows that the conditions set forth in the law for the existence of conditions for limited competition between banks in the banking services basket sector to retail customers are met. On October 23, 2025, the Bank received another letter regarding a "secondary hearing prior to determining a concentration group and issuing instructions", in which the Commissioner announced that she had considered the banks' claims and found that they did not change her intention to determine as stated. The banks presented to the Commissioner, in writing, their position regarding the additional findings.

At this stage, it is not possible to estimate to what extent, if any, and which of the initiatives will be implemented and when, and what the effects of these changes or some of them, if implemented, will be on the Bank.

For additional details regarding material regulatory initiatives that have a potential impact on the Bank's operations, during the reported period, as well as those enacted in light of the war, see Legislative Restrictions and Regulatory Initiatives, in the Corporate Governance chapter.

4. **Compliance risk** - Compliance risk is the risk of a legal or regulatory sanction, a material financial loss, or reputational damage, which the banking corporation may incur as a result of not complying with the provisions of the law. Compliance risk includes the risk of non-compliance with the provisions of the law as specified in Proper Conduct of Banking Business Directive 308, including the risk of non-compliance with the provisions of the law in the field anti-money laundering and terrorist financing, the risk of non-compliance with the provisions of the internal enforcement programs in securities law and economic competition law, the risk of non-compliance with privacy protection laws and the risks arising from activities with foreign residents. This risk also includes behavioral risk (Conduct risk). The Bank sees great importance in adhering to the worlds of consumer compliance and continues to act and promote this issue in all its aspects.

   The strengthening of regulation and enforcement by tax authorities in various countries, with the intention of locating funds of their residents held outside the country of residence, may have an impact on customer behavior patterns and hence expose the Bank to compliance risks, reputation risks and cross-border risks.

   The impact of compliance risk, anti-money laundering and terrorist financing impacts all areas of the Bank's operations, including administrative enforcement and local and international regulation in the areas of taxation, including FATCA and CRS.

   The war that broke out between Russia and the Ukraine in February 2022 led to the imposition of severe sanctions on Russia and Belarus by various countries around the world (with an emphasis on the US and European countries, including the European Union), in addition to the sanctions imposed back in 2014 after Russia's invasion of the Crimean Peninsula.

   Attempts to use banks to circumvent sanctions regimes expose the banking system to a series of risks, including the risk that correspondents will refuse to provide service to the Bank due to violations of the sanctions regime and harm to foreign trade and capital market activity, risks of fines, sanctions, reputational risks, and more, on a significantly larger scale than in the past.

   The Supervisor of Bank's letter, dated June 8, 2022, on the subject of risks associated with entities declared on international and national sanctions lists of foreign countries, addressed the significant risks to which banking corporations are exposed in the context of circumventing sanctions regimes imposed by foreign countries and international organizations. Banks were instructed to establish policies and procedures regarding foreign countries and regarding entering into or carrying out transactions with entities declared on the aforementioned lists, based on Proper Conduct of Banking Business Directive No. 412 on the subject of "Risk Management". The letter further stated that a refusal to approve a transaction, a refusal to enter into an agreement, or a termination of an engagement due to the implementation of such a policy, will be considered a reasonable refusal to provide service for the purposes of the Banking Act and that the steps that will be taken with customers of banking corporations as part of the implementation of the aforementioned, will be done in accordance with the banking corporations' obligations towards their customers and, among other things, taking into account the circumstances and nature of the operation.

   The Bank Group's compliance policy has formulated a risk management approach derived from the various sanctions regimes. The guiding rules that were established are intended to create a balance between risk management in

accordance with the established policy and the required continuity to provide local and international banking services to the Bank's and the Group's customers. In December 2025, Proper Conduct of Banking Business Directive No. 412 was published, which consolidates the banking obligations on the subject of affiliation with sanctions regimes and balancing the obligation to manage risk with the bank's other obligations to its customers. The Bank operates in accordance with the Directive and has updated its procedures accordingly.

In light of the expansion of sanctions by the US in December 2023, with an emphasis on the obligations of financial institutions outside the US, the Bank took several actions in accordance with the requirements of the expansion order, including, among other things, increasing monitoring and controls over the Bank's foreign trade activity.

During 2024, as part of a further expansion of the sanctions regime imposed by the US and as part of a Presidential Order allowing the designation of non US individuals and entities as Specially Designated Nationals and Blocked Persons List (SDN), sanctions were imposed against Israeli individuals and entities. With the change of administration in the US, in January 2025, a new Presidential Order was signed that cancelled the previous Order and the declarations under it were also cancelled. The Bank has guiding rules that also relate to other sanctions regimes and declarations. The "Swords of Iron" war intensified compliance risks and increased vigilance is still required on the part of the Bank regarding compliance risk, money laundering and terrorist financing, in order to prevent abuse of the crisis for the purposes of money laundering and terrorist financing.

The bank's Compliance Department performs controls, with an emphasis on identifying "red lights" that arise in the context of suspicious activity in matters related to compliance, anti-money laundering and terrorist financing.

5. **Cyber risks and data protection (as part of operational risk)** - Cyber risk is defined as the possibility of data protection risk materializing through a cyber attack. The potential for damage stems from the materiality of the impact of the cyber event, its level of probability and the severity of its consequences. Cyber risks, information leakage and data protection have a high potential for causing damage if a significant event materializes, involving high restoration costs. Innovation in online banking, the use of new technologies, open systems and cloud computing applications entail operational risks with an emphasis on cyber risks and data protection. For the purpose of proper management of cyber risks, the existing framework for managing information technology and data protection risks at the Bank was expanded and adapted in terms of understanding the threat landscape and the required protection capabilities. The Bank defined a strategy, policy, appointed a Cyber Protection Manager to implement the policy and built a methodology for risk management. Israel's ongoing regional war with Iran and other factors are increasing the motivation of attackers and the attack area for carrying out cyber attacks, so the risk arising from cyber attacks against the Bank is on the rise. Another accelerating factor is the increasing integration of artificial intelligence (AI) into attackers' tools. AI technologies allow hostile factors to build intelligent and automated attacks and shorten the time from the discovery of a weakness to its exploitation. Another risk factor is the development of quantum computing.

   The Bank also manages cyber risk by taking many preventive actions to reduce risk, including promoting awareness in the field of cyber risks and data protection and conducting exercises. It should be noted that there is an increase in fraud combined with social engineering, as well as cyber attacks, including denial of service attacks (DDOS), on financial organizations worldwide, on organizations in Israel and on the supply chain bodies of these organizations. Engagement with suppliers at the Bank is carried out in accordance with the policies and procedures established for managing supply chain risks.

   Exposure to the occurrence of a cyber event is increasing, among other things, as a result of customers' increasing use of digital channels, use of cloud-based and artificial intelligence services, and remote connection of employees and suppliers. The Bank is regularly taking steps to reduce risks, including remote access solutions supported by the Data Protection Department, increased monitoring, strengthening and improving protection mechanisms, and raising employee and customer awareness, in accordance with the development of threats.

   The Bank has insurance policies in place that provide insurance coverage to the Bank Group for various damage events resulting from a computer failure and/or cyber incident, in accordance with the terms of the policies.

6. **Information technology risk (as part of operational risk)** - In recent years, the technological environment has been developing, dependence on it is increasing, and the need to increase business and technological flexibility and the need to increase the use of new technologies has arisen. The Bank Group operates in accordance with the information technology policy and is implementing an information technology strategy plan, which provides a technological response for the implementation of the Bank's business strategy. In February 2026, a new strategic plan for information technology was approved for the coming years. The trend of moving to cloud environments and increasing the use of the cloud is becoming common among financial organizations around the world, as part of a global trend to increase flexibility, availability and operational efficiency. The Bank has a cloud strategy document and a policy document for the use of cloud computing services, which were approved by the Management and the Board of Directors. The Bank operates in accordance with Directive 362 on the subject, which establishes guidelines and conditions required for a banking corporation's use of cloud computing technologies and emphasizes the need to manage the risks for any use of cloud computing technologies. The assessment of the risks of the IT is carried out continuously according to a methodology, both at the level of the IT processes and at the level of the information systems and infrastructures used by the Bank.

7. **Environmental and climate risks** - The risks of exposure to losses from risks related to environmental impacts, both due to costs originating from exposure to environmental risks (environmental damage - soil pollution, air pollution, water shortages, earthquakes, etc.) and due to costs arising from exposure to climate risks (physical risks - heat waves, droughts, floods, inundations, etc.), or transition risks related to climate change. These risks have a possible impact in several aspects, directly or indirectly: credit risk, market risk, operational risk, compliance risk and reputation risk.
   - Direct impact - as a result of environmental hazard costs that the bank must bear, due to direct damages related to climate change, or financial expense that may result from the adoption of provisions regarding climate and environmental policy, technological development and changes in market preferences.
   - Indirect impact - such as on credit risks, may result from a deterioration in the borrower's financial situation, due to environmental impacts and climate change, among other things, due to failure to comply with the relevant environmental legal provisions, due to large expenses required to meet environmental regulatory requirements, or due to a high fine that can be imposed on a borrower due to environmental damage, as well as the materialization of other risks related to environmental risks, such as reputational risk.

   The Bank takes actions to identify and manage these risks, with an emphasis on credit risk, while striving to reduce or prevent risk arising from environmental impact that has the potential for harm. The Bank sees importance in financing projects/entities that contribute to environmental development, such as financing projects in the field of renewable energy. The Bank is preparing to implement Proper Conduct of Banking Business Directive No. 345 - "Principles for Effective Management of Climate-Related Financial Risks", which was published in June 2023 and will enter into force in June 2026.

For additional information, see the Review of Risks chapter below and the Risk Report on the Bank's Internet website.

EFFECT OF THE "SWORDS OF IRON" WAR, OPERATION "RISING LION" AND OPERATION "ROARING LION"

The "Swords of Iron" war broke out on October 7, 2023, and in October 2025 an agreement was signed for the return of the hostages and the discontinuation of the war.

On June 13, 2025, Operation "Rising Lion" began, lasting 12 days. On February 28, 2026, Operation "Roaring Lion" began. The security situation has the potential for negative implications upon the Israeli economy and upon the Bank and its customers.

During the year 2024, the international rating agencies S&P, Moody's and Fitch downgraded the credit rating of the State of Israel.

Fitch downgraded the credit rating of the State of Israel from a level of A+ to a level of A with a negative outlook rating. Moody's downgraded the credit rating of Israel by two grades from a level of A2 to a level of Baa1 and left the rating at a negative outlook. S&P downgraded the credit rating of Israel from a level of A+ to a level of A with the rating outlook remaining negative.

During 2025, S&P, Moody's and Fitch ratified the credit rating of the State of Israel, as stated above, and also Fitch left the rating outlook as negative. In November 2025, S&P updated the rating outlook from negative to stable and in January 2026 Moody's upgraded the rating outlook of the State of Israel from negative to stable. For additional details, see the Chapter "Economic developments" hereunder.

With the aim of providing assistance to bank customers in coping with the implications of the war, the Supervisor of Banks published at the beginning of the war, an assistance outline for bank customers for coping with the implications of the war, for a period of three months, which has been expanded and extended several times in the course of the war, and the last extension, which included certain changes, was published on December 3, 2024, which remained in effect until March 31, 2025.

On March 30, 2025, Bank of Israel announced the formulation and entry into force of a voluntary financial relief plan for banking system customers (hereinafter - "the plan"), against the backdrop of the system's high profitability in recent years, and the effects of the " Swords of Iron " war on households and small and minute businesses.

The outline includes benefits in an aggregate amount of NIS 3 billion, for the entire banking system, consisting of NIS 1.5 billion each year, starting from the second quarter of 2025, until the first quarter of 2027, which will be used for the purpose of providing a variety of financial relief and refunds to households and small and minute businesses. The financial scope of the benefits and concessions by each bank in the first year of the outline is derived from its relative size in profitability for the years 2023-2024. The outline period may be updated in certain cases.

The outline includes four main baskets of financial relief that will be provided by the banks to their customers, while giving each bank discretion to act in accordance with its business focus and customer mix: providing interest or benefits in the area of current account credit balances and a proven improvement in the interest paid on short-term deposits; reducing interest rates on debit balances ("overdraft"); providing exemption from fees or a significant discount for distinct population groups; providing exemption, partial or full, for a fixed period from the payment of monthly repayments or reducing the interest rate charged on existing credit, for the duration of the outline period.

In accordance with the outline, each bank is required to publish on its website the details of the financial relief granted by it and the relevant customer group, and in its financial statements the scope and mix of benefits actually provided.

In its announcement, the Bank of Israel stated that in its opinion the outline is more suitable for the needs of banking system customers than specific taxation processes and various legislative processes.

As part of the outline, the Bank elected to grant during 2025 a variety of benefits and reliefs, in accordance with the established criteria, both to private customers and small businesses and to various population groups, such as regular army and reserve personnel, soldiers on mandatory service, evacuees from the South and the North, participants in the festivals in the south, first-degree relatives of war casualties or abductees, IDF disabled persons, and more. Most of the benefits and reliefs were granted automatically, without the need for a proactive application from the customer.

The share of the Bank Group in the benefits granted within the framework of the outline amounts to NIS 254 million for the period of two years.

The said benefits would be recognized in the statement of profit and loss as incurred in the course of a period of two years, starting with the second quarter of 2025. During 2025, an amount of NIS 89 million was recognized in profit and loss, as detailed in Section "A" below.
Hereunder are details of the benefits and concessions granted by the Bank as from the second quarter of 2025 (in addition to the benefits and concessions granted by the Bank in the first quarter of 2025) and until the end of 2025:

1. Interest benefits on credit balances in a current account and on short-term deposits

Interest benefits on credit balances in current accounts – in Israeli currency

Annual interest at a rate of 2% on current account credit balances in amounts of up to NIS 10,000, under stated conditions, respecting accounts of private customers meeting the entitlement conditions determined by the Bank.

Interest benefit for customers in whose account is/will be deposited a deposit of the class determined by the Bank

Additional interest to depositors at an annual rate of 0.5% in relation to the minimum interest offered to depositors from time to time for such a deposit, on the Bank's website, up to a determined amount and under terms determined by the Bank.

2. Interest benefit on debit balances in a current account

- Reduction of the maximum interest rate on approved debit balances within the primary and secondary overdraft facilities in an Israeli currency current account for private banking customers, personal banking customers and business customers attached to the individuals and small business pricelist, at rates and terms determined by the Bank for each of the classes of customers.
- Exemption from the payment of interest on approved debit balances in a current account ("overdraft"), up to a determined amount or up to the approved facility, the lower of the two, granted to entitled private customers and entitled business customers, under terms determined by the Bank.

3. Commission benefits and the granting of awards

- Full exemption from various commissions for entitled private customers, under terms determined by the Bank.
- Refund in respect of the payment of commissions to business customers attached to the pricelist for individuals and small businesses who are entitled customers, under terms determined by the Bank.
- Quarterly awards to entitled customers under terms determined by the Bank.

4. Benefits regarding the monthly repayment and interest payments on loans and mortgages

Loans

- Quarterly refund for existing loans of private customers in respect of a part of the principal amount of the loan repayment in April 2025, at rates, amounts and terms determined by the Bank.
- Interest and linkage free loans in amounts and for periods determined by the Bank for regular and reserve servicemen having a private account.

Mortgages

Quarterly refund in respect of a part of the mortgage repayment in April 2025, to entitled customers, with respect to loans of certain classes, in amounts and under terms determined by the Bank.

The Bank updated the benefits and concessions that are granted within the framework of the outline, in respect of the first quarter of 2026, as follows:

1. **Interest benefit on a credit balance in a current account in Israeli currency**
   Annual interest at a rate of 2% on credit balances in current accounts up to NIS 10,000 in the accounts of private customers, all under the terms set by the Bank, as detailed on the Bank's website.
2. **Interest benefit on debit balances in current accounts**
   A 1% reduction in the maximum interest rate for approved debit balances within the framework of the primary and secondary overdraft in Israeli currency for personal banking customers, all under the terms set by the Bank, as detailed on the Bank's website.
3. **"Beyond" points benefit**
   A gift of 1,500 "Beyond" points on an immediate redemption card for booking a vacation, all for customers and under the terms and conditions set by the Bank, as detailed on the Bank's website.

The Bank will review from time to time, at its discretion, the continuation of granting the various benefits and reliefs within the framework of the outline.
The complete and binding details regarding the up-to-date benefits and concessions, the terms of which and classes of customers entitled to them, are detailed on the Bank's website.

Following Operation "Rising Lion", which began on June 13, 2025, Bank of Israel published on June 17, 2025, an assistance outline that was adopted by the banks. The outline is added to the outlines stated above, and was intended to assist populations directly affected by the damage of the fighting, which included injured households or those whose houses were damaged by missiles and were compelled to evacuate them, as well as small and minute business owners whose efficiency has been affected.
The outline presented the minimum terms for the deferral of loans and each bank was entitled to expand it in favor of its customers and at their request. The outline took effect on July 1, 2025, and remained in effect until July 31, 2025. It was possible to apply to join the outline until July 31, 2025.
The populations and benefits included in the published outline:

- Households whose homes were damaged and they are evacuees or households injured by the Operation – Deferral of mortgage repayment in unlimited amounts for a period of three months, free of interest and commissions; deferral of repayment of consumer loans in a cumulative amount of up to NIS 100,000, for a period of three months, free of interest and commissions.
- Minute and small businesses (with a turnover of up to NIS 25 million), which were physically or monetarily injured as a result of the Operation – a two months deferral for the repayment of loans in a cumulative amount of up to NIS 2 million per business, free of interest and commissions; in addition, with respect to businesses of reservists on active service, automatic exemption was granted for a period of two months from charging interest on a debt balance of up to NIS 30,000 in the business account; businesses that did not meet the defined criteria ("second circle") could defer loan repayments in an aggregate amount of up to NIS 2 million to the business for a period of two months and at the agreed interest rate.

The outline as published by Bank of Israel was implemented by the Bank.

On February 28, 2026, the United States and Israel launched a joint attack on Iran. Iran responded by launching missiles at Israel and other countries in the region. The campaign was also expanded to Lebanon, following firing at Israel by Hezbollah. With the start of the Operation, there was a change in the Home Front Command's defense policy, as part of which it was decided to move all regions of the country from a full activity level to a necessary activity level, which includes a ban on educational activities, gatherings, and going to workplaces, with the exception of essential economic activities. In addition, additional reservists were mobilized for the needs of the Operation.

At this stage, it is not possible to estimate the effect of the Operation on the Bank's financial position, its operating results and its cash flows, if at all. The Bank continues to monitor the various developments in order to examine the manner in which the Operation affects its operations.

Following Operation "Roaring Lion", Bank of Israel published an aid outline on March 2, 2026, which was adopted by the banks. The outline joins the outlines detailed above, and is intended to assist populations that were directly affected by the damage caused by the fighting, including households whose homes were damaged and are being evacuated and households that were physically damaged by the Operation, small and minute businesses that were physically or financially damaged as a result of the Operation, and businesses owned by reservists. The outline presents the minimum conditions and each bank may expand it for the benefit of its customers and at their request. The outline will be in effect from March 16, 2026, until April 16, 2026, and may be expanded or extended as needed. A customer may submit a request to be included in the outline until April 16, 2026. A bank that wishes to advance the date the outline enters into force or the date the application is submitted will be entitled to do so.

Below is a breakdown of the populations and benefits included in the outline:

- Households whose homes have been damaged and are being evacuated and households that have been physically damaged - postponement of mortgage payments, without a limit on the amount, for a period of 3 months, without being charged interest or fees; postponement of consumer loan repayments in an aggregate amount of up to NIS 100,000 for a period of 3 months, without being charged interest or fees.
- Small and minute businesses that have been physically or financially damaged (with an operating turnover of up to NIS 25 million) - a two-month deferral of loan repayments in an aggregate amount of up to NIS 2 million for a business that requests it, without interest or fees; in addition, for businesses owned by reservists an exemption would be granted automatically for a period of two months from an interest charge on a debit balance of up to NIS 30,000 in the business account. Businesses which do not meet the defined criteria ("second circle") may defer loan repayments in a cumulative amount of up to NIS 2 million per business for a period of two months at an agreed interest rate.

The Bank implemented the outline, as published by Bank of Israel, and grants in addition a line of benefits and support to customers.

In view of all that stated above, uncertainty exists regarding the consequences on the Bank and its customers due to uncertainty regarding the security situation as well as uncertainty as to the derivative effect on economic activity, capital market trends and various financial steps that the Government, Bank of Israel and additional Regulators may take.

The Bank maintains ongoing follow-up of the subjects and risks arising from the War, its implications and financial effects upon the Bank and its customers. For additional details, see the Chapter "Review of risks" hereunder.

Following are presented details regarding benefits granted to the public within the framework of the Bank of Israel outline of 2025, and regarding the "Swords of Iron" War (in NIS millions):

A. Benefits granted to the public

		For the three months ended December 31, 2025							Year 2025	Year 2024
		Housing	Private individuals - other	Small and minute businesses	Middle market businesses	Large businesses	Other	Total	Total	Total
A.1.	Benefits recognized in Profit and Loss in the reported period:									
	Interest benefits due to changes in credit terms[1]	-	5	2	-	-	-	7	20	20
	Other interest benefits on credit[2]	-	-	-	-	-	-	-	-	2
	Interest benefits on on-call deposits	-	2	-	-	-	-	2	6	-
	Interest benefits on other deposits	-	1	-	-	-	-	1	6	-
	Waiver of commissions[3]	-	1	1	-	-	-	2	10	29
	Awards	6	10	-	-	-	-	16	50	-
	Donations	-	-	-	-	-	-	-	1	10
	Total	6	19	3	-	-	-	28	93	61
	Of which: as part of Bank of Israel 2025 outline									
	Interest benefits due to changes in credit terms[1]	-	5	2	-	-	-	7	19	-
	Other interest benefits on credit[2]	-	-	-	-	-	-	-	-	-
	Interest benefits on on-call deposits	-	2	-	-	-	-	2	6	-
	Interest benefits on other deposits	-	1	-	-	-	-	1	6	-
	Waiver of commissions[3]	-	1	1	-	-	-	2	8	-
	Awards	6	10	-	-	-	-	16	50	-
	Total	6	19	3	-	-	-	28	89	-
A.2.	Estimate of benefits not yet recognized in Profit and Loss, at reporting date[4]	34	117	14	-	-	-	165	165	60

B. Additional information regarding activities in favor of borrowers

		For the three months ended December 31, 2025						Year 2025	Year 2024
		Housing	Private individuals - other	Small and minute businesses	Middle market businesses	Large businesses	Total	Total	Total
B.1.A	Total credit whose terms were changed during the reported period[5]								
	Change in terms for borrowers having financial difficulties (see Note 29)	-	-	-	-	-	-	1	47
	Change in terms of borrowers having no financial difficulties	-	-	-	-	-	-	186	1,805
	Total credit	-	-	-	-	-	-	187	1,852

	December 31, 2025						December 31, 2024
	Housing	Private individuals - other	Small and minute businesses	Middle market businesses	Large businesses	Total	Total
B.1.B Balance of credit whose terms were changed as of the reporting date							
Change in terms for borrowers having financial difficulties (see Note 29)	**22**	**17**	**27**	**9**	**-**	**75**	99
Change in terms of borrowers having no financial difficulties:							
Credit with waiver of interest	**-**	**-**	**-**	**-**	**-**	**-**	30
Credit with deferral of payments and/or extension of period where the deferral period has not yet ended(6)	**2**	**-**	**-**	**-**	**-**	**2**	401
Average deferral of payments, in months(6)	**6**	**13**	**-**	**-**	**-**	**7**	9
Credit having other changes in terms	**198**	**-**	**-**	**-**	**-**	**198**	228
Total credit	**222**	**17**	**27**	**9**	**-**	**275**	758
Additional information regarding changes in terms of borrower having no financial difficulties							
Balance of credit where deferral of payments has ended	**2,673**	**130**	**380**	**49**	**-**	**3,232**	3,646
Of which: Debts that defaulted after a change in terms	**90**	**1**	**3**	**1**	**-**	**95**	58
B.2. Balance at the reporting date of granted interest free or reduced interest loans(7)							
Balance of credit	**-**	**21**	**258**	**66**	**28**	**373**	465

Notes to Tables:

(1) Including by way of waiver of interest on debit balances and by deferral of loan repayments.

(2) Including by way of granting interest free loans or at reduced interest and by way of granting awards/refund of interest on credit for periods prior to the outline.

(3) Including the granting of awards/refunds in respect of commissions.

(4) Estimate of amounts of benefits not yet recognized in Profit and Loss at the reporting date, expressing the amounts which the Bank expects to recognize during the two years period of the adopted outlines, if continued, until the first quarter of 2027.

(5) Credit that has undergone a change in terms during the reported period, including also credit that has been given a repeated deferral during the reported period.

(6) Including deferral of payments free of interest during the deferral period. In cases where the debt was granted repeated deferral of payments, the cumulative deferral period is presented. Deferral of payments does not include deferrals to which the borrower is entitled under any law.

(7) Including loans granted within the framework of funds guaranteed by the State and/or financed by Bank of Israel.

C. Special payment to the State in view of the War

Regarding the expenses recognized in the item "taxes on income" in respect of the Special Payment for Achieving the Goals of the Budget Act (Provisional instruction – "Swords of Iron"), 2024, see Note 8(d) to the financial statements.

OBJECTIVES AND STRATEGY

The Bank operates according to a multi-annual strategic plan validated by the Board of Directors. The corporate strategy for the years 2026-2028, was approved by the Board of Directors in December 2025. The Bank's vision is to be "the preferred banking choice and the optimal home for the management of capital, to the quality customers in Israel". The plan will be validated once every six months, in the framework of which, a review of the operations environment will be carried out and the implications on the Bank's strategy will be examined. If required, processes and strategic goals will be updated.

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

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

- Growth in chosen segments, in which the Bank is specializing, while providing added value to its customers in accordance with the needs of each of them, while increasing the volume of activity segment of dual customers;
- Emphasize on optimal customers experience, in the physical dimension, as well as, in the digital dimension.
- Focusing by the subsidiary company Massad and the brand names UBANK, PAGI and Otsar Hahayal on their unique niches of operation;
- Maintaining the leadership of the Bank in the capital market and in the private banking segment, concurrently with developing new and innovative tools in these areas;
- Segment focused growth in the business sector with emphasize of strengthening the operations in the small businesses and in credit to large and medium businesses;
- Adjustment of the operating model to the futuristic banking world, concurrently with realizing the potential embedded in Gen AI technology, in the aspect of improving the service and customer experience, as well as, operational aspect and efficiency;
- Leading efficiency moves in expenditure, improving processes, continuance of transferring operational activity to back offices and establishment of divisional operating centers. Continuation of efficiency measures at the branches and continuing the transition to the digital banking channels;
- Striving to growth and exposure to new areas through cooperations.

Principal environmental, social, and governance aspects

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

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

- Integration of ESG aspects in the capital market area - within the framework of the Bank's leadership in the capital market, the Bank has decided to integrate ESG considerations in investment advisory services, and make information on the subject accessible to its customers, through the Bank investment consultants and trading systems. In this framework, the Bank acts to make accessible ESG information regarding different securities by way of the trading systems, and examines the possibility to integrate ESG scoring in the analysis methodology of the Bank for securities. Concurrently, the Bank concluded, a training layout in the matter, directed at bank investment consultants, with a view of assisting them in integrating the ESG area in consultation processes, in accordance with customer needs and guidance.
- Environmental and climate risk management regarding business credit - The Bank studies regularly, the processes of environmental risks with respect to material credit transactions, and strictly considers environmental risk aspects upon making credit granting decisions, to the extent that the matter is relevant to the transaction. On background of the significant developments in recent years regarding practices for the management of environmental risks, including the directives of the Supervisor of Banks, in respect of principles for effective management of financial risks connected to the climate, the Bank conducts a renewed examination of the processes regarding evaluation and management of the environmental risk, while modifying them, to the extent possible, to accepted practices in the world. In this framework, the Bank is mapping the existing exposure in this area, examines their effect on its activity and is acting to adjust its risk appetite, including determination of goals and limitations.
- Promotion of financial understanding of Bank customers, with a focus on the capital market - the Bank is continuously acting to promote the financial understanding of its various customers, through digital means, such as study courses and video clips, alongside of maintaining professional panels and face-to-face conferences. The contents are presented on the Internet website of the Bank and are published to customers, with the aim of expanding the scope of exposure to such contents, and increase the financial knowledge of customers and assist them in making more educated financial decisions. Some of the contents are modified to the unique needs of customers belonging to specific sectors, such as small businesses and self-employed or customers at retirement age and they are published, among other, over the social media and digital platforms online. 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. In this framework, the Bank takes several actions to raise the awareness of its customers to the mater of frauds, from time to time.
- 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, alongside the ongoing development and training of manpower in the Bank and its adjustment to the global changes and developments.

During 2025, the targets multiannual plan of the Bank, in the area of ESG, was ended. The Bank strives to formulate multiannual targets plan for the years 2026-2030.

PRINCIPAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE INDICES

	2025	2024
Environmental		
Consumption of resources		
Consumption of electricity (in kw/h)	**21,138,653**	21,456,846
Carbon footprint (complex 1 and 2)		
Emission volume (in CO2 eq tons)	**10,557**	10,778
Social		
Employees		
Number of employees	**3,455**	3,519
Rate of female employees at the Bank	**66%**	66%
Volume of investment in learning and employees' training (in days)	**16,907**	16,238
Suppliers		
Rate of local suppliers	**97%**	98%
Social credit		
Balance of credit to minute, small and middle market businesses (in NIS millions)	**27,947**	25,502
Of which: credit to minute, small and middle market businesses guaranteed by the Government (in NIS millions)	**539**	886
Corporate governance		
Rate of external Directors	**50%**	50%
Rate of Directors with accounting and financial expertise	**100%**	100%
Rate of female Directors	**30%**	30%
Rate of female members of Management	**64%**	55%
Number of Board of Directors plenary session meetings	**22**	25
Number of Board of Directors Committee meetings	**51**	56
Average period of service as Director (in years)	**7.6**	6.6

For additional information see the ESG report on the Bank's website.

MAIN ECONOMIC DEVELOPMENTS

The stabilization trend in the security and geopolitical situation continued during the fourth quarter of 2025, following the ceasefire agreement concluded in October of that year. The relative calm provided some relief from the labor supply constraints observed over the past year, as large numbers of reservists were discharged and returned to the workforce.
On February 28, 2026, the United States and Israel launched a combined offensive against Iran. Iran responded by launching missiles at Israel, American targets throughout the Persian Gulf and the Middle East, and other countries in the region. The operation was also extended to Lebanon, in response to rocket fire directed at Israel by the Hezbollah terrorist organization. The operation's impact on the Israeli economy cannot be assessed in the near term. It will depend on the intensity and duration of the operation against Iran. If the operation successfully reduces regional security and geopolitical tensions, positive long-term economic implications for Israel may follow.

GROWTH

In February 2026, the Central Bureau of Statistics announced Israel's economic growth rate for 2025, which stood at 3.1%. The Bank of Israel Research Department's growth forecast for 2026, published in January 2026, was revised upward by 0.5 percentage points, to 5.2%. In addition, the Bank of Israel published its first-ever growth forecast for 2027, projecting a 4.3% domestic economic growth rate.
The forecast revisions continue to reflect the positive regional developments, and they express the Bank of Israel's assessment that the ceasefire will reduce the supply constraints that the economy has endured in the past year. The Bank of Israel projects a gradual convergence of GDP toward similar levels to the levels recorded in prior years. The Bank [of Israel] notes that several additional factors may support higher growth, including an expected increase in private consumption from 3.3% in 2024 to 4.0% and 7.5% in 2025 and 2026, respectively. The Bank of Israel also projects growth in both export and import components, which are expected to promote growth as well. While actual exports contracted by 4.4% in 2024, exports are expected to reverse course in 2025–2027, and grow by 4.5%–5.0%.

CREDIT RISK OF THE ECONOMY

In early 2025, international rating agency Moody's announced its assessment that the ceasefire agreement in Gaza could prevent Israel's credit rating from deteriorating further. In July 2025, Moody's affirmed Israel's Baa1 rating. The rating outlook remained negative. Moody's cited the economy's weakness and the fiscal challenges it has faced since October 2023 as the reasons for affirming the Baa1 rating. In the agency's assessment, the military operation against Iran contributed to an increase in budgetary expenditures equivalent to 1% of GDP, and Moody's projects that the budget deficit will reach 8% of GDP. The negative outlook was maintained, reflecting the elevated geopolitical and security risks during that period.
In October 2025, Moody's published an overview addressing the impact of the ceasefire agreement on Israel. The agency assessed the agreement as credit positive for Israel, with its impact expected to strengthen over time. However, the agency noted that the agreement remains fragile and that geopolitical risks therefore remain elevated. In its overview, the agency projected Israel's growth to reach 2.5% in 2025, compared with the prior 2% growth forecast. The agency projected growth to accelerate in 2026, reaching 4.5%. Moody's noted its assessment that wage pressures stemming from labor shortages would ease over subsequent quarters, which will influence the Bank of Israel's monetary policy, and that the interest rate is expected to begin to decline in 2026. In the overview, Moody's affirmed Israel's Baa1 credit rating, and did not amend the negative rating outlook. In January 2026, Moody's announced a change in Israel's rating outlook, from "negative" to "stable." The amended outlook followed the agency's revised assessment that Israel's exposure to geopolitical risks had diminished. The agency noted that the Israeli economy had demonstrated greater-than-expected resilience during the war, despite its deteriorating fiscal position, and that debt is expected to stabilize at around 68% of GDP and that the debt remains manageable, including owing to high market accessibility and a broad investor base.
In May 2025, international rating agency S&P published an update on the Israeli economy, affirming Israel's A rating. The negative outlook, which had been in place prior to the update, remained unchanged as well. The agency had previously noted that the resumption of Israel's military operations in Gaza, as well as the ongoing operations in Lebanon and Syria, entail continued elevated security risks, which remain the primary factor contributing to the negative outlook. S&P noted that

while Israel benefits from strong macroeconomic fundamentals, the security situation continues to weigh on its economic position. In its update, S&P revised some of its macro data forecasts for Israel. The agency projected that Israel's economy would grow by 3.3% in 2025 and that growth would reach 3.9% in 2026. However, a moderate deceleration in growth rate is expected in subsequent years. The agency estimated that Israel's public debt would rise to 70% of GDP by year-end 2025 and to 71.6% two years thereafter.

In November 2025, S&P published an update on the Israeli economy, in which it revised Israel's rating outlook from "negative" to "stable." The outlook revision followed the ceasefire agreement between Israel and Hamas, which the agency believes might facilitate lower military tension and reduce the probability of large-scale conflict in Gaza and the broader region. S&P emphasized that the stable outlook reflects the assumption that the scope of direct military conflict is expected to remain limited. The agency projected Israel's GDP to surge 5% in the coming year, following a moderate 2.5% growth rate in 2025. In the update, the agency also noted the Israeli banking system favorably, highlighting its resilience, profitability, and asset quality.

At the end of March 2025, international rating agency Fitch published its decision to maintain Israel's sovereign rating (A) unchanged. At the same time, the agency also maintained the negative rating outlook. Fitch cited the increase in public debt as well as ongoing geopolitical and security instability as the reasons for maintaining the negative rating outlook. Fitch emphasized that the decision to maintain the rating at its current level reflects a balance between Israel's economic strengths and vulnerabilities. In October 2025, Fitch published a report covering the ceasefire agreement in the southern theater. Although Fitch, too, considers the agreement a positive development for the Israeli economy, the agency chose to take a cautious approach and emphasized that Israel's overall risk level remains elevated, mainly due to the persistent Iranian threat. The agency elected to maintain Israel's credit rating A with a negative outlook, as established in its most recent update from August 2024.

The developments in October 2025 - culminating in the hostage agreement and the cessation of hostilities - bolstered foreign investor confidence in the Israeli economy. Foreign investment in the domestic capital market rose accordingly, which contributed to the shekel's continued appreciation against the dollar.

During the fourth quarter of the year, five-year credit default swaps (CDS) on Israel (insuring against sovereign default) stabilized at 70 basis points. These levels are close to Israel's historical long-term average, which has ranged from 60 to 70 basis points.

STATE BUDGET

In early January 2026, the Bank of Israel revised its forecast for the government budget deficit. The deficit forecast was revised downward by 0.3% and 0.4% for 2025 and 2026, respectively, to 4.8% and 3.9%. In addition, the Bank of Israel published its initial estimate for the government deficit for 2027, which it projects to stand at 3.6%. These revisions reflect the expectation that the deficit will decrease somewhat, and the Bank of Israel cited the ceasefire as the cause for the revised assessment. The Bank of Israel believes that the deficit reduction would continue in 2026, driven by a further decrease in the defense budget and growth in projected revenues.

INFLATION

The Consumer Price Index for December 2025 remained unchanged, bringing Israel's annual inflation rate for 2025 to 2.6% - below the upper bound of the Bank of Israel's inflation target (3%). The downward trend in inflationary pressures continued into early 2026, with the January index declining by 0.3%. In its macroeconomic forecast update issued in early 2026, the Bank of Israel projected annual inflation for 2026 to total 1.7%. In addition, the Bank of Israel published its first inflation forecast for 2027, projecting a 2.0% inflation rate.

According to the Bank of Israel's assessment, the anticipated decline in price indices over the next two years is driven by the expected easing of inflationary pressures, as lower security tension is projected to mitigate economic supply constraints and thus contribute to more moderate demand-side pressures in turn. In addition, the markets reflect a downward trend in Israel's risk premium and a strengthening trend in the domestic currency. Along with lower global inflation rates, these trends contribute to a more moderate inflationary environment in Israel.

HOUSING MARKET

Following eight consecutive months of declining apartment prices, the October-November and November-December 2025 residential property price indices grew by 0.6% and 0.8%, respectively. In 2025, the index posted a 1.4% increase.

LABOR MARKET

According to the Bank of Israel's most recent overview, published in January 2026, the employment rate forecast for the 25–65 age group was revised downward by 0.2%, putting it at 78.2% for 2025. The Bank of Israel projects the employment rate for this age group to rise in 2026. Thus, it revised its forecast for that year upward from 79.0% to 80.1%. In its overview, the Bank of Israel noted that the reduced number of reservists on active duty has partially alleviated the supply constraints observed over the past year. However, the labor market remains tight. Concurrently, the Bank of Israel revised its unemployment rate projections. While the unemployment rate forecast for 2025 remained unchanged, at 3.4%, the forecast for 2026 was revised slightly downward by 0.1%, bringing it to 3.3%. In addition, the Bank of Israel published a forecast for 2027, projecting a 3.5% unemployment rate.

BANK OF ISRAEL INTEREST RATE

In its interest rate decision at the beginning of January 2026, the Bank of Israel's Monetary Committee reduced the interest rate by 0.25%, to 4.0%. In its accompanying statement, the Committee cited several reasons for the rate cut, including the more moderate inflationary environment over the past year (with inflation standing at 2.4% at the time of the decision), the shekel's appreciation against the dollar and euro since the prior rate decision, easing of supply constraints, and a lower wage growth rate in the business sector. Looking ahead, the Bank of Israel projects the interest rate to average 3.5% in the fourth quarter of 2026. This forecast reflects a gradual reduction in the interest rate from its current level, in line with the pace at which inflation converges toward the midpoint of the target range.

EXCHANGE RATE

Over the course of 2025, the dollar depreciated more than 12% against the shekel. The easing of security tensions and the geopolitical stabilization that began toward the end of the second quarter of 2025 and continued into 2026 had contributed significantly to the shekel's appreciation. Continued security stabilization and converging interest rate differentials will remain key factors, and may influence the shekel exchange rate in the coming quarters.

DOMESTIC CAPITAL MARKET

The domestic market's performance in 2025 was influenced by persistent geopolitical challenges, alongside a gradual economic recovery that accelerated during the fourth quarter of the year. The conclusion of operation "Rising Lion" in June, and the ceasefire agreement in the southern theater concluded in October significantly bolstered investor confidence in the domestic market in 2025. In 2025, the TA-35 and TA-125 indices increased by 52% and 51%, respectively. TA-Insurance and TA-Banks stood out among sector indices, increasing by 152% and 61%, respectively.

The upward trend in 2025 continued into 2026, with the TA-35 and TA-125 indices increasing by 9.6% and 8.7%, respectively, in January.

In the domestic bonds market, government bond prices rose in 2025, ranging from 4.4% to 9.9%. The corporate debt market recorded gains ranging from 5.0% to 9.5% in 2025. The upward trend continued into 2026, with government bonds recording increases ranging from 0.3% to 1.1% and corporate bonds increased by 0.2%–1.1% during January.

THE GLOBAL ENVIRONMENT

Global economic activity continues to expand at a moderate pace, and global growth in 2025 is projected to total 3%. The Bank of Israel made a slight revision to its projections regarding growth rates in developed economies. In January 2026, the Bank of Israel revised its GDP projections for developed economies, projecting a 1.5% growth rate in 2026 and a 1.6% growth rate in 2027. More broadly, in January 2026, the World Bank published its global growth forecast, projecting that the pace of global growth will remain stable, at 2.6% in 2026 and 2.7% in 2027.

Concerns over trade barriers that surfaced in 2025 eased over the course of the year, and by the end of the fourth quarter, the United States had concluded trade agreements with most of its trading partners, including a temporary agreement with China. At the same time, perceived uncertainty in the markets regarding U.S. economic policy continues, as doubts are raised regarding the growing fiscal deficit and the pressure the U.S. President exerts on the Federal Reserve to reduce interest rates in order to secure cheaper financing. However, the Fed has been reluctant to modify its monetary policy and announce rate cuts, particularly noting the rising inflation rates in the U.S. in the last six months of 2025, with inflation at end of year closer to 3% than to the Fed's 2% target. Growth, which approached 3% in 2023–2024, was adversely affected as well, and is projected to fall below 2% by year-end 2025. Nonetheless, the trade agreements, the broad-based fiscal stimulus in the administration's budget, deregulation, and the expectations of further rate cuts in 2026 support projections that growth will rebound in the coming year, as reflected in the Fed's upward revision of its 2026 growth forecast from 1.8% to 2.3%.

In the eurozone, the European Central Bank (ECB) projects the growth rate for 2025 to reach 1.4%, compared with prior forecasts of 1.2%. Inflation in the eurozone has been on a downward trajectory for several years and has fallen below 2% for the first time since the COVID-19 period, reaching an annual rate of 1.9%. The declining inflation rates led ECB policymakers to implement four interest rate cuts in 2025. The rate cuts' frequency and the inflation rates' convergence into the target range have reinforced market expectations of further rate cuts in 2026.

In the United States, the S&P 500 rose by 16.4% in 2025, and the Nasdaq 100 recorded an over 20% increase. This positive trend continued into early 2026, with the S&P 500 gaining 1.8% in January. Concurrently, the Nasdaq 100 exhibited a similar positive trend, gaining over 2.5% since the start of the year.

A positive trend was observed in Europe as well, with the Euro Stoxx 600 gaining 16.7% in 2025. This trend continued into the first quarter of 2026, with the index posting a 2.5% gain from the start of the year through the end of January.

Japan's capital markets benefited from the global markets' optimism and from the stimulus program that the Japanese government intends to implement. In 2025, the Nikkei index posted a 26.2% gain. The positive trend continued into 2026, and the Nikkei recorded an over 6% gain in January.

MATERIAL DEVELOPMENTS IN REVENUES, EXPENSES AND OTHER COMPREHENSIVE INCOME

PROFIT AND PROFITABILLITY

Net profit attributed to the shareholders of the Bank amounted to NIS 2,260 million, as compared to NIS 2,371 million in 2024, a decrease of 4.7%.

The return of net profit to the capital attributed to the shareholders of the Bank amounted to 16.2%, as compared to 19.0% in 2024.

Net profit attributed to the shareholders of the Bank, in the fourth quarter of 2025, amounted to NIS 512 million, compared with NIS 573 million in the fourth quarter of 2024, a decrease of 10.6%.

The return of net profit to the capital attributed to the shareholders of the Bank in the fourth quarter of the year amounted to 14.1% compared with 17.4% in the corresponding quarter last year.

Condensed statement of income

	Year ended December 31		
	2025	**2024**	**change**
		NIS million	in %
Net financing earnings (1)	**5,134**	5,172	(0.7)
Expenses (income) from credit losses	**19**	(16)	
Net financing earnings after expenses from credit losses	**5,115**	5,188	(1.4)
Fees and other income	**1,788**	1,574	13.6
Operating and other expenses	**3,190**	2,977	7.2
Profit before taxes	**3,713**	3,785	(1.9)
Provision for taxes on profit	**1,386**	1,383	0.2
The bank's share in profit of equity-basis investee, after taxes	**35**	74	(52.7)
Net profit:			
Before attribution to non-controlling interests	**2,362**	2,476	(4.6)
Attributed to non-controlling interests	**(102)**	(105)	(2.9)
Attributed to shareholders of the Bank	**2,260**	2,371	(4.7)
Net return of equity attributed to the Bank's shareholders	**16.2%**	19.0%	

(1) The items of profit and loss above were presented in a different format then the condensed statement of income. The change is expressed by sorting of net interest income and non-interest income to the net financing earnings.

DEVELOPMENT IN INCOME AND EXPENSES

The Net Financing earnings

Set out below is the composition of net financing earnings*

	Year ended December 31	
	2025	**2024**
		NIS million
Interest income	**11,771**	11,097
Interest expenses	**6,949**	6,357
Net interest income	**4,822**	4,740
Non-interest financing income	**312**	432
Net reported financing earnings	**5,134**	5,172
Elimination of non-current activities:		
Gain from realization and reconciliations to fair value of bonds(1)	**29**	1
Gain from investments in shares(1)	**241**	232
Reconciliation to fair value of derivative instruments	**(4)**	7
Total non-current activities	**266**	240
Financing earnings from current activity (2)	**4,868**	4,932
(1) Including exchange rate differences on deposits to cover exposure in respect of foreign currency:		
In respect of trading bonds	**113**	-
In respect of investment in shares	**55**	-
(2) Of which: income in respect of the change in CPI	**249**	309
Rate of increase in the "known" CPI	**2.4%**	3.4%

	2025				2024			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
								NIS million
Interest income	**2,829**	**3,120**	**3,019**	**2,803**	2,687	2,955	2,879	2,576
Interest expenses	**1,741**	**1,830**	**1,729**	**1,649**	1,548	1,690	1,658	1,461
Net interest income	**1,088**	**1,290**	**1,290**	**1,154**	1,139	1,265	1,221	1,115
Non-interest financing income	**37**	**70**	**117**	**88**	132	153	47	100
Net reported financing earnings	**1,125**	**1,360**	**1,407**	**1,242**	1,271	1,418	1,268	1,215
Elimination of non-current activities:								
Income (expenses) from realization and reconciliations to fair value of bonds(1)	**-**	**13**	**(2)**	**18**	(7)	11	(4)	1
Earnings (losses) from investments in shares(1)	**47**	**57**	**96**	**41**	111	77	(4)	48
Reconciliation to fair value of derivative instruments	**(7)**	**7**	**-**	**(4)**	-	9	(1)	(1)
Total non-current activities	**40**	**77**	**94**	**55**	104	97	(9)	48
Financing earnings from current activity(2)	**1,085**	**1,283**	**1,313**	**1,187**	1,167	1,321	1,277	1,167
(1) Including exchange rate differences on deposits to cover exposure in respect of foreign currency:								
In respect of trading bonds	**28**	**16**	**85**	**(16)**	-	-	-	-
In respect of investment in shares	**16**	**9**	**39**	**(9)**	5	4	(6)	(3)
(2) Of which: income (expenses) in respect of the change in CPI	**(50)**	**135**	**131**	**33**	(1)	150	133	27

* 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 4,868 million, as compared to NIS 4,932 million in 2024, a decrease of 1.3%. The decrease stemmed from the decline in the CPI and from decrease in the spreads of credit and deposits, partially offset by an increase in the volume of the business activity.

Set out below are principal data in respect of interest income and expenses:

		Year ended December 31, 2025		Year ended December 31, 2024	
		Interest income (expense)	**Rate of income (expense)**	**Interest income (expense)**	**Rate of income (expense)**
		NIS million	Percent	NIS million	Percent
Interest income		**11,771**	**5.16**	11,097	5.36
Interest expense		**(6,949)**	**(3.99)**	(6,357)	(4.06)
Interest income, net		**4,822**	**1.17**	4,740	1.30
Of which:	Spread from credit granting activity[1]	**2,009**	**1.7**	2,073	1.9
	Spread from deposits taking activity[1]	**2,501**	**1.2**	2,614	1.3
	Other[2]	**312**		53	
Ratio of net interest income to balance of assets bearing interest			**2.12**		2.29

(1) The financial spread is calculated as the gap between interest received or paid to the average price of money of the Bank, derived from the duration correlated to the terms of the credit or the deposit in the relevant linkage segments and calculated by an internal model. Therefore, this should be taken into account when comparing the spreads of the Bank to the spreads of other banking corporations.

(2) Including assets and liabilities management.

The decrease in spread from deposits taking activity in 2025 compared to 2024, derived, among other things, from a change in the mix of deposits from the public, which was characterized by an increase in deposits from institutional entities and large businesses, alongside a decrease in deposits from retailers and small businesses, as well as a decline in the Dollar interest.

In respect of the rise in the inflation, the Bank has an exposure to the CPI in a way of assets surplus over liabilities linked to the CPI, amounting to NIS 9.4 billion as of December 31, 2025, compared to NIS 9.3 billion at the end of December 2024. The CPI increase contributed NIS 249 million to the Bank's income in 2025, compared to NIS 309 million in 2024.

For additional information in respect of rate of income and expenses of the Bank and its consolidated companies and analysis of the changes in interest income and expenses, see appendix 1 to the chapter on corporate governance, appendices.

Expenses from credit losses totaled to NIS 19 million in 2025 compared to an income of NIS 16 million in 2024.
The individual income amounted to NIS 50 million in 2025, compared to NIS 48 million in 2024. In 2025, the collective expense in respect of credit losses derived amounted to NIS 69 million, compared to NIS 32 million in 2024. The increase in the collective expense in respect of credit losses in 2025, derived from the growth of the credit portfolio and from stringent forecast of certain macroeconomic indices used in the calculation of the provision, in light of the uncertainty in the macroeconomic conditions, due to the geopolitical events, which were partially offset by an improvement in the quality of the credit portfolio. Moreover, in 2024 no adverse effect occurred in certain macroeconomic indices in respect of the reference values used in calculating the provision.
Expenses in respect of credit losses amounted in the fourth quarter of the year to NIS 29 million, which were fully recorded in respect of the collective provision, due, mainly, to the increase in the credit portfolio. The rate of expense from the average balance of the credit to the public amounted, in the fourth quarter of the year, to 0.08%.

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

	Year ended December 31	
	2025	**2024**
		NIS million
Individual expense from credit losses	**131**	112
Decrease in individual expense in respect of credit losses and collection of debts written off in accounting	**(181)**	(160)
Net individual income from credit losses	**(50)**	(48)
Collective expense from credit losses	**69**	32
Total Expense (income) from credit losses	**19**	(16)
Of which:		
Income in respect of commercial credit risk	**(33)**	(44)
Income in respect of housing credit risk	**(3)**	(27)
Expenses in respect of other private credit risk	**56**	54
Expenses (income) in respect of credit risk to banks, governments and bonds	**(1)**	1
Ratio of individual income from credit losses to average total credit to the public	**(0.04%)**	(0.04%)
Ratio of collective expense from credit losses to average total credit to the public	**0.05%**	0.03%
Ratio of total expenses (income) from credit losses to average total credit to the public	**0.01%**	(0.01%)

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

Fees income totaled NIS 1,777 million in 2025, compared with NIS 1,553 million in 2024, an increase of 14.4%.
Set out below are details of fees income:

	Year ended December 31	
	2025	**2024**
		NIS million
Account management	**190**	190
Credit cards	**147**	135
Transactions in capital market (1)	**1,023**	827
Conversion differentials	**225**	209
Fees from financing transactions	**88**	86
Other Fees	**104**	106
Total Fees	**1,777**	1,553

(1) The increase in transaction in the capital market derives from an increase in the volume of activity in the capital market and from an increase in the activity turnovers.

Operating and other expenses totaled NIS 3,190 million in 2025 compared with NIS 2,977 million in 2024, an increase of 7.2%.

Set out below are details of operating and other expenses:

	Year ended December 31	
	2025	**2024**
		NIS million
Salaries and related expenses	**1,769**	1,739
Maintenance and depreciation of premises and equipment	**338**	359
Amortization of intangible assets	**146**	134
Other expenses	**937**	745
Total operating and other expenses	**3,190**	2,977

Salaries and related expenses totaled NIS 1,769 million in 2025 compared with NIS 1,739 million in 2024, an increase of 1.7%. The increase derived mainly from increase in current payroll.

Maintenance and depreciation of buildings and equipment expenses amounted to NIS 338 million in 2025, in comparison to NIS 359 million in 2024, a decrease of 5.8%. The decrease derived mainly from provision for impairment of right of use asset, as part of the efficiency measures in 2024.

Amortization of intangible assets amounted to NIS 146 million in 2025, compared with NIS 134 million in 2024, an increase of 9.0%, stemming from an increase in the volume of investment in software assets.

Other expenses totaled NIS 937 million in 2025 compared with NIS 745 million in 2024, an increase of 25.8%, stemming mainly from an increase in expenses of commissions in respect of activity in the capital market, benefits to the Bank's customers in respect of the voluntary outline of Bank of Israel, regarding financial reliefs to the customers of the Banking system, advertising, dismissals and computer. For additional details see Note 7 to the financial statements.

The provision for taxes on operating earnings amounted to NIS 1,386 million in 2025 compared with NIS 1,383 million in 2024. The effective tax rate amounted to 37.3% in 2025, compared with 36.5% in 2024. The effective tax rate was affected by income in respect of income taxes of previous years, recorded in 2024. For additional details in respect of the special payment applicable to banks, see Note 8 to the financial statement.

The Bank's share in the operating earnings of investee company after the tax effect amounted in 2025 to NIS 35 million, compared to NIS 74 million in 2024. The decrease in earnings was affected by one-time events, mainly by the verdict in respect of VAT assessments and from revaluation of "phantom" option. For additional details see the chapter on main investee companies, below.

The total comprehensive profit attributed to the shareholders of the Bank amounted in 2025 to NIS 2,376 million. This amount was affected by the net profit for the year attributed to the shareholders of the Bank of NIS 2,260 million, by other comprehensive income in respect adjustments of available-for-sale bonds in an amount of NIS 161 million and of other comprehensive loss in respect of employees' benefits in an amount of NIS 45 million.

For details of income and expenses by quarters for the years 2024 and 2025 see appendix 3 of corporate governance chapter, appendices.

INFORMATION AND COMPUTER SYSTEMS

MATAF - Computing and Financial Operation Ltd. (hereinafter: "MATAF") is a subsidiary of the bank and supplies IT to the bank and to other companies in the group.

MATAF manages and operates entire computerization infrastructure, systems, software products and cyber defense needed to the Bank Group including interfaces and channels connected to this infrastructure.

Within the framework of its operation, MATAF invests considerable resources in digital, data and innovation, and implements the digital and data strategy of the Bank Group.

Furthermore, MATAF applies a multi-annual program for the modernization of the computer and core systems infrastructure, and provides tools by which the Bank Group improves efficiency, assisted by automation, robotics and AI, while maintaining an up-to-date infrastructure and high capabilities regarding protection against cyber-attacks.

Investments and expenses in respect of the information technology network

Software purchased by the Group is measured at cost, which usually includes transaction costs and deduction of accrued depreciation and impairment losses.

Costs relating to the development of software for the purpose of own use were discounted only if: the initial phase of the project is completed; and Management, which has the appropriate authority, approved and is committed to finance, directly or indirectly, a project for the development of software, and that it is anticipated that the development will be completed and that the software would create future economic benefits. The following costs are being discounted during the development of software for own use: direct costs of services consumed and direct labor costs of employees directly related to the software development work. Other costs in respect of development activity and expenses in the initial phase of the project are recognized in profit and loss as incurred.

Details of expenses and investments in information systems carried out:

Additions to assets in respect of the information technology system not charged as an expense:

	2025				2024			
	Software	**Hardware**	**Other**	**Total**	**Software**	**Hardware**	**Other**	**Total**
				NIS million				NIS million
Costs in respect of wages and related expenses	**44**	**-**	**-**	**44**	44	-	-	44
Outsourcing costs	**3**	**-**	**-**	**3**	3	-	-	3
Costs of acquisitions or usage licenses	**140**	**-**	**-**	**140**	122	-	-	122
Costs of equipment, buildings and land	**-**	**40**	**-**	**40**	-	34	-	34
Total	**187**	**40**	**-**	**227**	169	34	-	203

Balances of assets in respect of the information technology system:

	December 31, 2025				December 31, 2024			
	Software	**Hardware**	**Other**	**Total**	**Software**	**Hardware**	**Other**	**Total**
				NIS million				NIS million
Total depreciated cost	**402**	**87**	**2**	**491**	360	74	2	436
Of which: in respect of wages and related expenses	**112**	**-**	**-**	**112**	110	-	-	110

Expenses in respect of the information technology system as included in the statement of profit and loss:

	2025				2024			
	Software	**Hardware**	**Other**	**Total**	**Software**	**Hardware**	**Other**	**Total**
				NIS million				NIS million
Expenses in respect of wages and related expenses	**240**	**9**	**-**	**249**	219	4	-	223
Expenses in respect of acquisitions or usage licenses not discounted to assets	**87**	**-**	**-**	**87**	83	-	-	83
Outsourcing expenses	**38**	**21**	**-**	**59**	36	19	-	55
Depreciation expenses	**145**	**26**	**-**	**171**	133	24	-	157
Other expenses	**-**	**2**	**31**	**33**	-	2	30	32
Total	**510**	**58**	**31**	**599**	471	49	30	550

For additional information regarding technological changes and innovation, see chapter corporate governance, additional information.

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

The consolidated balance sheet as of December 31, 2025 amounted to NIS 277,833 million, compared with NIS 248,563 million as of December 31, 2024, an increase of 11.8%.

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

	December, 31		
	2025	**2024**	**Change**
		NIS million	%
Credit to the public, net	**146,374**	129,416	13.1
Securities	**38,266**	34,396	11.3
Cash and deposits with banks	**83,776**	77,175	8.6
Deposits from the public	**238,509**	214,755	11.1
Bonds and subordinated capital notes	**6,791**	4,479	51.6
Capital attributed to the shareholders of the Bank	**14,614**	13,430	8.8

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

	December, 31		
	2025	**2024**	**Change**
		NIS million	%
Off-balance sheet financial instruments excluding derivatives:			
Documentary credit	**157**	167	(6.0)
Guarantees and other liabilities	**9,469**	9,690	(2.3)
Unutilized credit lines for derivatives instruments	**5,256**	3,544	48.3
Unutilized revolving credit and other on-call credit facilities	**12,708**	12,359	2.8
Unutilized credit lines for credit card facilities	**11,507**	10,661	7.9
Facilities for the lending of securities	**1,433**	985	45.5
Irrevocable commitments to grant credit, not yet executed and commitments to issue guarantees	**16,163**	13,356	21.0
Total	**56,693**	50,762	11.7

Derivative financial instruments:

	December 31, 2025			December 31, 2024		
	Positive fair value	**Negative fair value**	**Face value**	**Positive fair value**	**Negative fair value**	**Face value**
						NIS million
Interest contracts	**133**	**94**	**16,962**	357	235	22,014
Currency contracts	**2,046**	**2,492**	**152,601**	921	1,212	117,071
Contracts in respect of shares	**1,727**	**1,727**	**152,148**	1,281	1,280	75,368
Commodities and other contracts	**28**	**28**	**2,275**	6	6	627
Total	**3,934**	**4,341**	**323,986**	2,565	2,733	215,080

Credit to the public, net as of December 31, 2025 amounted to NIS 146,374 million compared with NIS 129,416 million as of December 31, 2024, an increase of 13.1%.

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

	December, 31				Segment's share of credit to the public on December, 31	
	2025	2024	Change		2025	2024
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**116,339**	101,410	14,929	14.7	**79.5**	78.3
- CPI-linked	**16,022**	16,137	(115)	(0.7)	**10.9**	12.5
Foreign currency (including f-c linked)	**12,977**	11,117	1,860	16.7	**8.9**	8.6
Non-monetary items	**1,036**	752	284	37.8	**0.7**	0.6
Total	**146,374**	129,416	16,958	13.1	**100.0**	100.0

Gross Credit to the public by segments of activity

	December, 31		Change
	2025	2024	
		NIS million	%
Large business segment	**54,935**	44,725	22.8
Medium business segment	**9,241**	7,342	25.9
Small and minute business segment	**18,706**	18,160	3.0
Household segment excluding housing loans	**23,769**	23,118	2.8
Housing loans	**38,958**	36,396	7.0
Private banking segment	**180**	137	31.4
Institutional entities	**2,225**	1,172	89.8
Total	**148,014**	131,050	12.9

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 205,242 million on December 31, 2025 compared with NIS 181,069 million on December 31, 2024, an increase of 13.4%.

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

Sector	December 31, 2025		December 31, 2024		
	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)	**46,827**	**22.8**	35,167	19.4	33.2
Construction and real estate	**33,267**	**16.2**	27,542	15.2	20.8
Industry	**10,850**	**5.3**	10,750	6.0	0.9
Commerce	**10,705**	**5.2**	10,367	5.7	3.3
Private customer, including housing loans	**85,900**	**41.9**	81,654	45.1	5.2
Others	**17,693**	**8.6**	15,589	8.6	13.5
Total	**205,242**	**100.0**	181,069	100.0	13.4

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):

		December 31, 2025			
Borrower no.	**Sector of the economy**	**Balance-sheet credit risk (*)**	**Off-balance-sheet credit risk**	**Total credit risk**	**Total credit risk after permitted deductions**
		NIS million			
1.	Financial services	**3,490**	**90**	**3,580**	**662**
2.	Financial services	**2,904**	**124**	**3,028**	**511**
3.	Financial services	**2,725**	**177**	**2,902**	**859**
4.	Financial services	**1,564**	**45**	**1,609**	**193**
5.	Financial services	**1,589**	**1**	**1,590**	**268**
6.	Financial services	**1,582**	**-**	**1,582**	**1,582**

		December 31, 2024			
Borrower no.	**Sector of the economy**	**Balance-sheet credit risk (*)**	**Off-balance-sheet credit risk**	**Total credit risk**	**Total credit risk after permitted deductions**
		NIS million			
1.	Financial services	2,759	114	2,873	483
2.	Financial services	2,417	140	2,557	537
3.	Financial services	1,780	98	1,878	958
4.	Financial services	1,738	41	1,779	205
5.	Financial services	1,427	5	1,432	205
6.	Financial services	867	426	1,293	829

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

On the basis of the distribution of credit by size of borrower indebtedness on December 31, 2025, as stated in Note 29.c to the financial statements, 35% of the Group's total credit risk was granted to borrowers whose total credit reached an amount of up to NIS 1.2 million per borrower. Credit amounts of between NIS 1.2 million and NIS 20 million accounted for 20% of total credit risk, and credit amounts of over NIS 20 million accounted for 45% of the Group's total credit risk.

Set out below are balances of the total credit risk of the borrowers included in the upper brackets in Note 29.c to the financial statements, exclusive of collateral whose deduction is permissible for the purpose of calculating the restriction on single-borrower indebtedness, in the consolidated and at the Bank:

						December 31, 2025
Credit range for borrowers	**Balance-sheet credit risk**	**Off-balance-sheet credit risk**	**Total**	**Permitted deductions**	**Net indebtedness**	**No. of borrowers**
NIS thousand					NIS million	
From 1,600,000 to 2,000,000	**1,564**	**45**	**1,609**	**1,416**	**193**	**1**
From 2,000,000 to 2,400,000	**-**	**-**	**-**	**-**	**-**	**-**
From 2,400,000 to 2,800,000	**-**	**-**	**-**	**-**	**-**	**-**
From 2,800,000 to 3,200,000	**5,629**	**301**	**5,930**	**4,560**	**1,370**	**2**
From 3,200,000 to 3,600,000	**3,490**	**90**	**3,580**	**2,918**	**662**	**1**
Total	**10,683**	**436**	**11,119**	**8,894**	**2,225**	**4**

						December 31, 2024
Credit range for borrowers	**Balance-sheet credit risk**	**Off-balance-sheet credit risk**	**Total**	**Permitted deductions**	**Net indebtedness**	**No. of borrowers**
NIS thousand					NIS million	
From 1,600,000 to 2,000,000	3,518	139	3,657	2,494	1,163	2
From 2,000,000 to 2,400,000	-	-	-	-	-	-
From 2,400,000 to 2,800,000	2,417	140	2,557	2,020	537	1
From 2,800,000 to 3,200,000	2,759	114	2,873	2,390	483	1
Total	8,694	393	9,087	6,904	2,183	4

For detailed information regarding credit risk, see chapter of risks review below, additional supervisory disclosures and risk report at the Bank's internet site.

The investment in securities totaled NIS 38,266 million compared with NIS 34,396 million at the end of 2024, an increase of 11.3%.

Set out below is the composition of the securities portfolio:

	December 31,		Share of total securities	
	2025	**2024**	**2025**	**2024**
	NIS million		%	
Government bonds	**33,667**	31,042	**88.0**	90.3
Banks' bonds (1)	**2,695**	1,827	**7.0**	5.3
Corporate bonds	**314**	307	**0.8**	0.9
Shares (2)	**1,590**	1,220	**4.2**	3.5
Total	**38,266**	34,396	**100.0**	100.0

(1) The balance includes bonds that were issued by banks' issuing companies.
(2) Investment in shares includes inter alia investment in private equity funds, investment in shares and ETF and investment in hedging funds.

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

	December, 31		change		Segment's share of total securities	
	2025	2024			2025	2024
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**17,952**	17,053	899	5.3	**46.9**	49.6
- CPI-linked	**1,871**	2,071	(200)	(9.7)	**4.9**	6.0
Foreign currency denominated & linked	**16,853**	14,052	2,801	19.9	**44.0**	40.9
Non-monetary items	**1,590**	1,220	370	30.3	**4.2**	3.5
Total	**38,266**	34,396	3,870	11.3	**100.0**	100.0

Set out below are the sources for the price quotations which the Bank used for determining the fair value of securities on December 31, 2025:

	Price quoted in active market	Indicative price*	Counter-party price**	Total
				NIS million
Shares and private investment funds	**1,315**	**3**	**272**	**1,590**
Local currency government bonds	**18,645**	**-**	**-**	**18,645**
Local currency corporate bonds and banks bonds	**1,140**	**38**	**-**	**1,178**
Foreign-currency and f-c linked bonds	**6**	**16,847**	**-**	**16,853**
Total	**21,106**	**16,888**	**272**	**38,266**
% of portfolio	**55.2**	**44.1**	**0.7**	**100.0**

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

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

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

	December, 31	
	2025	2024
		NIS million
Israel (incl. Israel Government - NIS 4,913 million, 31.12.24 - NIS 3,209 million)	**5,927**	4,158
USA (incl. US Government - NIS 10,109 million, 31.12.24 - NIS 9,483 million)	**10,569**	9,608
Others	**357**	286
Total	**16,853**	14,052

It should be noted that there is no issuer (except the Israel and US Governments) whose bond balance exceeds 3% of the shareholders' equity of the Bank.

Bonds denominated in or linked to foreign currency - amounting to NIS 16,853 million (Dollar 5,283 million) (mainly foreign currency denominated Israel Government bonds amounting to NIS 4,913 million, and bonds of US Government amounting to NIS 10,109 million). All of the foreign bonds are investment grade and of which 94% is rated A or higher. This portfolio is diversified, in a manner whereby exposure to any single issuer (excluding governments) does not exceed 2.3% of the total foreign currency bond portfolio. The duration (average term-to-maturity) of the foreign currency bond portfolio is 1.8 years. The balance of unrealized gross gains (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 88 million (Dollar 28 million) compared with of NIS 8 million (Dollar 2 million) on December 31, 2024.

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

	December, 31	
	2025	2024
		NIS million
Banks	**942**	583
Electricity and water	**63**	62
Construction and real estate	**48**	48
Financial services	**68**	18
Industry	**17**	19
Transportation	**19**	31
Commerce	**21**	12
Total	**1,178**	773

The balance of gains, net included in other comprehensive profit, in respect of the difference between fair value of available for sale bonds and their amortized cost, as of December 31, 2025 amounted to NIS 189 million (NIS 103 million after the tax effect), compare to NIS 92 million (NIS 58 million after the tax effect) at the end of 2024.

Cash and deposits at banks as of December 31, 2025 totaled NIS 83,776 million compared with NIS 77,175 million at the end of 2024, an increase of 8.6%.

Deposits from the public as of December 31, 2025 totaled NIS 238,509 million compared with NIS 214,755 million at the end of 2024, an increase of 11.1%.

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

	December, 31				Segment's share of total deposits from the public on December, 31	
	2025	2024	Change		2025	2024
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**191,901**	173,406	18,495	10.7	**80.5**	80.7
- CPI-linked	**3,898**	4,784	(886)	(18.5)	**1.6**	2.2
Foreign currency denominated & linked	**41,668**	35,809	5,859	16.4	**17.5**	16.7
Non-monetary items	**1,042**	756	286	37.8	**0.4**	0.4
Total	**238,509**	214,755	23,754	11.1	**100.0**	100.0

Deposits from the public by segments of activity

	December, 31		
	2025	2024	Change
		NIS million	%
Large business	**32,879**	24,014	36.9
Medium business	**6,968**	6,566	6.1
Small and minute business	**25,206**	26,553	(5.1)
Household	**68,328**	72,216	(5.4)
Private banking	**11,760**	12,449	(5.5)
Institutional entities	**93,368**	72,957	28.0
Total	**238,509**	214,755	11.1

Securities portfolios belonging to customers of the Bank Group

The total of the securities portfolios of customers of the Bank Group as of December 31, 2025, amounted to NIS 922 billion, as compared to NIS 624 billion at the end of 2024, an increase of 47.8%.

Total assets of customers of the Bank Group as of December 31, 2025, amounted to NIS 1,161 billion, as compared to NIS 839 billion at the end of 2024, an increase of 38.4%.

Bonds and deferred debt notes amounted at the end of the year to NIS 6,791 million, as compared with NIS 4,479 million at December 31, 2024.

On September 4, 2025, the First International Issuance Ltd., a wholly owned subsidiary of the Bank, issued bonds, the stated value of which amounted to NIS 1,700 million for the amount of NIS 1,700 million and commercial securities in stated amount of NIS 1,300 million for the amount of NIS 1,300 million. On November 26, 2025, the First International Issuance Ltd., issued commercial securities in stated amount of NIS 1,119 million for the amount of NIS 1,119 million.

The proceeds of the issuances of the bonds and commercial securities was deposited at the Bank. The Bank is obligated to fulfil the conditions of the issued bonds and commercial securities.

For details regarding assets and liabilities according to quarters in the years 2024 and 2025, see Appendix 5 to the Chapter Corporate governance, appendices.

CAPITAL AND CAPITAL ADEQUACY

The capital attributed to the shareholders of the Bank amounted as of December 31, 2025 to NIS 14,614 million, as compared with NIS 13,430 million as of December 31, 2024, an increase of 8.8%.
The change in capital attributed to the shareholders of the Bank was affected by the net profit for the period amounting to NIS 2,260 million, by other comprehensive income in respect of adjustments of available-for-sale bonds in an amount of NIS 161 million and by other comprehensive loss in respect of employees' benefits in an amount of NIS 45 million and from a decrease in capital in respect of dividends paid in the amount of NIS 1,195 million.

CAPITAL ADEQUACY

Minimum capital ratios

The Bank implement Proper Conduct of Banking Business Directives Nos. 201-211 in the matter of "Measurement and capital adequacy" as were amended in order to reconcile them with the Basel guidelines. In accordance with Proper Conduct of Banking Business Directives regarding minimum capital ratios, the Bank is required to maintain a minimum Tier I equity capital ratio of 9% and a total capital ratio of 12.5%, being a banking corporation, the total consolidated stated assets of which does not exceeds 24% of total stated assets of the banking sector.
Likewise, in accordance with Proper Conduct of Banking Business Directive No. 329 regarding "limitation on the granting of residential loans", the Bank is required to raise the targeted Tier I equity capital level by one percent of the outstanding balance of residential loans at the reporting date. It should be noted that in accordance to the provisional instruction dated April 27, 2020, the requirement would not apply in respect of residential loans granted from March 19, 2020 until the end of the provisional instruction (September 30, 2021).
On December 27, 2021, in the framework of amending Proper Conduct of Banking Business Directive No. 329 regarding limitations on housing loans, according to which, the additional capital requirement of 1% shall apply to loans for residential purposes only and not to loans for any other purpose.
In view of all that stated above, and in consideration of additional capital requirement from the balance of housing loans, the minimal Tier I equity capital ratio and the minimal total capital ratio required from the Bank by the Supervisor of Banks, amount on a consolidated basis, as of December 31, 2025, to 9.23% and 12.50%, respectively.

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

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

For detailed information, see the risk report for 2025 on the Bank's website.

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

- In a regular business situation - Tier I equity capital will be no less than 9.50% and the ratio of the total 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 total capital shall not be less than 9.00%.

The capital goals take into consideration the risks to which the Bank is exposed to, including credit risks, financial risks, the primary of which is interest risk, operational risks including cyber and data protection, information technology risk, compliance risk and anti-money laundering risk, strategy risk, regulatory risk, legal risk, reputation risk, model risk and local systemic risk. All this is performed with congruence to the dialog with 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, anti-money laundering, compliance, strategy, reputation, operational etc. The outline of the stress tests also includes modification to the present economic environment reflecting also the possible effects of the war.
For detailed information, see the risk report for 2025 on the Bank's website.

Implementation of the instructions

Within the framework of Pillar I, the Bank implements the standard approach in accordance with Bank of Israel instructions regarding credit, market and operational risks.
Within the framework of Pillar II, the Bank is required to conduct an internal process for the assessment of capital adequacy (the ICAAP process). This process is designed to ensure the maintenance of an adequate level of capital means supporting the overall risks inherent in the operations of the Bank. The ICAAP document relating to the data as of September 30, 2024, has been carried out as requested. The infrastructure for the capital adequacy, as approved by the Bank, serves as a basis for the internal process conducted at the banking subsidiary, subject to required adjustments, and on the basis of its specific risk profile.

		December 31,	
		2025	**2024**
1.	**Capital for calculation of capital ratio, after deduction and supervisory adjustments (in NIS millions)**		
	Tier 1 equity capital, after deductions and supervisory adjustments	**14,824**	13,666
	Tier 2 capital after deductions	**2,804**	2,714
	Total capital	**17,628**	16,380
2.	**Weighted balances of risk assets (in NIS millions)**		
	Credit risk	**119,233**	107,387
	Market risk	**1,133**	979
	Operational risk	**13,238**	12,477
	Total weighted balances of risk assets	**133,604**	120,843
3.	**Ratio of capital to risk assets (in %)**		
	Ratio of Tier 1 equity capital to risk assets	**11.10%**	11.31%
	Total ratio of comprehensive capital to risk assets	**13.19%**	13.55%
	Minimal ratio of Tier 1 equity capital required by the Supervisor of banks	**9.23%**	9.23%
	Minimal ratio of comprehensive capital required by the Supervisor of Banks	**12.50%**	12.50%

The Tier I equity capital ratio as of December 31, 2025, amounted to 11.10%, in comparison with 11.31% as of December 31, 2024. The ratio of comprehensive capital to risk components as of December 31, 2025, amounted to 13.19%, in comparison with 13.55% as of December 31, 2024.
The comprehensive capital as of December 31, 2025 amounted to NIS 17,628 million, in comparison with NIS 16,380 million as of December 31, 2024, an increase of 7.6%.
The capital base was affected on the one hand, by profits of NIS 2,260 million, from an increase in the collective provision for credit losses, qualified for inclusion in the Tier 2 capital in the amount of NIS 159 million, and from other comprehensive profit in respect of stating available-for-sale bonds at market value in an amount of NIS 161 million. On the other hand, this increase was offset by a dividend distribution of NIS 1,195 million, from investment in supervisory capital instruments of other banks in the amount of NIS 126 million and from other comprehensive loss of NIS 45 million, in respect of employee benefits.

The risk assets as of December 31, 2025 amounted to NIS 133,604 million as compared with NIS 120,843 million as of December 31, 2024, an increase of 10.6%, derived mainly from the increase in the credit to the public.

The Bank estimates that, if and to the extent that the credit rate of the State of Israel will downgrade by two notches by S&P rating agency, it will result in a decrease of 0.47% and 0.56% in Tier 1 equity capital ratio and in the comprehensive capital ratio, respectively.

The comprehensive capital ratios and the Tier 1 equity capital ratios of the significant subsidiary, in accordance with the "framework for measurement and capital adequacy" of Basel, are:

	December 31,	
	2025	2024
		%
Bank Massad Ltd.		
Ratio of Tier 1 equity capital to risk assets	**15.32%**	18.03%
Ratio of comprehensive capital to risk assets	**16.40%**	19.12%

As for the update of Proper Conduct of Banking Business Directive No. 203 – Measurement and capital adequacy, see Note 24.b.a.(10) to the financial statements.

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, Bank of Israel published an update to Proper Conduct of Banking Business Directive No. 250 - Adjustments to Proper Conduct of Banking Business Directives in order to cope with the Coronavirus crisis (Provisional Instruction). The update mitigates the requirement of the leverage ratio by 0.5 percent point, so the Bank has to comply with leverage ratio of no less than 4.5% (instead of 5%) on a consolidated basis.
The Provisional instruction was extended from time to time. In a circular letter dated September 14, 2025, the validity of the relief was extended until June 30, 2027, on condition that the leverage ratio would not fall below that of December 31, 2026, or from the regulatory leverage ratio prior to the relief, the lower of the two.
The leverage ratio of the Bank as of December 31, 2025, amounts to 5.04%, compared to 5.18% as of December 31, 2024.

DIVIDEND DISTRIBUTION POLICY

According to the profit distribution policy adopted by the Board of Directors of the Bank, the Bank will distribute annual dividends of up to 50% of its distributable net earnings in the current year, subject to the Bank's ratio of capital to risk elements being no less than the regulatory targets and the targets specified or which would be specified by the Bank's Board of Directors from time to time. Such distributions will be made subject to legislative provisions and to Proper Conduct of Banking Business Regulations, providing that no adverse changes occur in the Bank's earnings and/or business and/or financial position and/or the overall state of the economy and/or in the legal environment.

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

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

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

The Supervisor of Banks addressed to the banking system the following letters in the matter of "Capital planning and earnings distribution policy": a letter dated November 12, 2023, in which the banking corporations were required to re-examine their dividend policy for the period proximate to the date of the letter, on the background of the war and the increasing uncertainty in respect of its continuity and the scope of its impact on the economy; a letter dated March 5, 2024, with a similar requirement, on background of the continuation of the War and the scope of its effect on the economy, requiring extra caution in the matter; and a letter dated May 16, 2024, in which the Supervisor notes that the present geopolitical situation requires the continuation of a conservative and educated examination of the capital planning and of the dividend distribution policy, while taking into consideration the actual capital ratios and the capital cushions required by the different possible scenarios.

On March 9, 2026, the Board of Directors of the Bank, taking into consideration the directives of the Supervisor of Banks, decided to approve a dividend distribution to the shareholders of the Bank in an amount of approximately NIS 256 million (gross), comprising approximately 50% of the net profit according to the financial statements of the Bank for the fourth quarter of 2025(*).

In addition, the Bank's Board of Directors decided on that date, given the Bank's capital surpluses, to approve an additional distribution to the Bank's shareholders of a cash dividend in the amount of NIS 266 million (gross), from the remaining profits eligible for distribution, as part of a possible outline of an additional future distribution in similar amounts, which will be made in 3 additional installments, once every 6 months, up to a total cumulative amount of approximately NIS 1 billion. Any additional distribution within the framework of the aforementioned outline will be examined by the Bank's Board of Directors on each expected distribution date as stated, in accordance with the provisions of the law and subject to the restrictions applicable to the Bank regarding dividend distribution, and there is no certainty that it will be approved in practice on these dates.

In addition to the above, the Bank is examining the possibility of making additional distributions in the amount of approximately 25% of net profit per quarter over the next two years, by way of repurchase of the Bank's shares to be carried out through share repurchase plans, to the extent approved by the Bank's Board of Directors, in accordance with the provisions of the law, and subject to all restrictions applicable to the Bank regarding dividend distribution. There is no certainty that such purchase plans will actually be approved.

(*) The said distribution will include also the purchase of the shares included in the self-purchase plan for the Bank's shares, in a volume that will not exceed 32,815 shares as detailed below, in accordance with its estimated cost proximate to the date of approval of the self-purchase plan by the Board of Directors.

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

In view of the above, the total dividend to be distributed in March 2026, amounts to NIS 522 million.

If and to the extent that the Bank share repurchase plans, as stated, would be approved, the maximum additional amount that would be distributed by way of implementing these plans, to the extent adopted, in respect of the profits for the fourth quarter of 2025, amounts to an additional sum of NIS 128 million.

Share repurchase plans, as stated, relate to future events and constitute forward-looking information, as defined in the Securities Act,1968, and as such, their materialization is uncertain.

The ex-dividend date regarding the distribution of the dividend will be on March 23, 2026, and the payment date will be on March 31, 2026. The amount of the dividend is before any withholding tax which the Bank has to withhold according to the law.

Following are details regarding dividends distributed by the Bank, as from the year 2023:

Declaration date	Payment date	Total dividend paid	Dividend per share
		NIS million	NIS
March 21, 2023	April 4, 2023	268	2.67
May 17, 2023	June 1, 2023	220	2.19
August 15, 2023	August 31, 2023	220	2.19
November 28, 2023	December 14, 2023	90	0.90
March 12, 2024	March 31, 2024	269	2.68
May 28, 2024	June 17, 2024	228	2.27
August 15, 2024	September 2, 2024	244	2.44
November 24, 2024	December 10, 2024	248	2.47
March 11, 2025	March 27, 2025	228	2.27
May 14, 2025	May 29, 2025	212	2.12
August 10, 2025	August 25, 2025	319	3.18
November 24, 2025	December 1, 2025	436	4.34

Bank Share Repurchase Plan

On March 9, 2026, the Bank's Board of Directors approved a plan to repurchase ordinary shares of the Bank (hereinafter - the "Repurchase Plan") in a volume not to exceed 32,815 shares (approximately 0.033% of the issued and paid-up capital), which will commence on March 11, 2026 and will continue until December 7, 2026, or until all shares are purchased under the Repurchase Plan, whichever is earlier. The shares purchased under the Repurchase Plan, in view of the expected dilution from a future allocation of exercise shares, due to the allocation of non-tradable options to the officers of the Bank in March 2025, will be held as dormant shares. The Repurchase Plan will be carried out from time to time in the framework of trading on the Stock Exchange and/or in transactions outside the Stock Exchange, by the Bank or someone on its behalf. The approval of the Supervisor of Banks to carry out the acquisition plan, as required in accordance with Proper Conduct of Banking Business Directive No. 332 (hereinafter - "Directive 332") was received on December 7, 2025 and included an exemption from the requirement of Directive 332 to implement a safe harbor protection mechanism published by the Israel Securities Authority, in light of the scope and characteristics of the acquisition plan, and subject to the conditions set by the Supervisor of Banks.

SUPERVISORY SEGMENTS OF ACTIVITY

The reporting on segments of activity is in accordance with the format and classification set in the Directive of the Reporting to the Public of the Supervisor of Banks. This reporting is materially different from the segments of activity used by the Bank according to Management approach, which are detailed in Note 28A to the financial statements. The supervisory segments of activity are reported in a uniform format that was set by the Supervision of Banks to the entire banking system, and they are based on the customers characteristics, such as: the volume of assets portfolio for private customers, or the business turnover- for business customers.

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

For details regarding segments of activity according to management approach see Note 28A to the financial statements.

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

a. Total income*

	For the year ended December 31,			Segment's share of total income December 31,	
	2025	**2024**	**Change**	**2025**	**2024**
		NIS million	%		%
Large business	**962**	856	12.4	**13.9**	12.7
Medium business	**372**	382	(2.6)	**5.4**	5.7
Small and minute business	**1,382**	1,401	(1.4)	**20.0**	20.8
Household	**3,184**	3,292	(3.3)	**46.0**	48.8
Private banking	**262**	246	6.5	**3.8**	3.6
Institutional entities	**543**	439	23.7	**7.8**	6.5
Financial management	**217**	130	66.9	**3.1**	1.9
Total	**6,922**	6,746	2.6	**100.0**	100.0

b. Net earnings attributed to the shareholders of the bank

	For the year ended December 31,	
	2025	**2024**
		NIS million
Large business	**390**	438
Medium business	**196**	163
Small and minute business	**459**	443
Household segment	**852**	1,006
Private banking	**88**	88
Institutional entities	**162**	144
Financial management	**113**	89
Total	**2,260**	2,371

* Including net interest income and non-interest income.

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

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

	For the year ended December 31, 2025				For the year ended December 31, 2024			
	Small and minute business segment	**Medium business segment**	**Large business segment**	**Total**	**Small and minute business segment**	**Medium business segment**	**Large business segment**	**Total**
								NIS million
Net interest income	**1,002**	**295**	**729**	**2,026**	1,043	312	687	2,042
Non-interest income	**380**	**77**	**233**	**690**	358	70	169	597
Total income	**1,382**	**372**	**962**	**2,716**	1,401	382	856	2,639
Expenses (income) from credit losses	**(14)**	**(63)**	**43**	**(34)**	44	(2)	(84)	(42)
Operating and other expenses	**649**	**116**	**302**	**1,067**	644	120	245	1,009
Net profit attributed to the shareholders of the Bank	**459**	**196**	**390**	**1,045**	443	163	438	1,044
Average balance of credit to the public	**18,535**	**7,912**	**48,063**	**74,510**	18,196	7,367	36,852	62,415
Balance of credit to the public at the end of the reported period	**18,706**	**9,241**	**54,935**	**82,882**	18,160	7,342	44,725	70,227
Average balance of deposits from the public	**24,951**	**6,356**	**23,331**	**54,638**	26,659	6,325	19,828	52,812
Balance of deposits from the public at the end of the reported period	**25,206**	**6,968**	**32,879**	**65,053**	26,553	6,566	24,014	57,133

Main changes in the result of activity in the year 2025 compared with the year 2024

Total net interest income amounted to NIS 2,026 million, compared with NIS 2,042 million in 2024, a decrease of 0.8%, which stemmed from a decrease in the spread of deposit taking activity, among other things, due to the change in the mix of deposits from the public, characterized by an increase in the volume of deposits from large businesses and a decrease in the deposits of small and minute businesses, also from a decrease in the spread of credit granting activity, partially offset by an increase in the volume of credit to the public.

Non-interest income amounted to NIS 690 million, compared with NIS 597 million in 2024, an increase of 15.6%, stemming from a raise in income from the capital market.

Income in respect of credit losses amounted to NIS 34 million, compared with NIS 42 million in 2024.

Operating and other expenses amounted to NIS 1,067 million, compared with NIS 1,009 in 2024, an increase of 5.7%, derived mainly from an increase in the commission from capital market activity.

The net profit attributed to the shareholders of the Bank in respect of the business segments, amounted to NIS 1,045 million, in comparison with NIS 1,044 million in 2024.

Average balance of credit to the public amounted to NIS 74,510 million, in comparison with NIS 62,415 million in 2024, an increase of 19.4%.

Credit to the public as of December 31, 2025 amounted to NIS 82,882 million, in comparison with NIS 70,227 million as of December 31, 2024, an increase of 18.0%.

Average balance of deposits from the public amounted to NIS 54,638 million, in comparison with NIS 52,812 million in 2024, an increase of 3.5%.

Deposits from the public as of December 31, 2025 amounted to NIS 65,053 million, in comparison with NIS 57,133 million as of December 31, 2024, an increase of 13.9%.

PRIVATE INDIVIDUALS SEGMENTS - HOUSEHOLD AND PRIVATE BANKING

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

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Households segment	**private banking segment**	**Total**	**Households segment**	**private banking segment**	**Total**
						NIS million
Net interest income	**2,511**	**119**	**2,630**	2,667	131	2,798
Non-interest income	**673**	**143**	**816**	625	115	740
Total income	**3,184**	**262**	**3,446**	3,292	246	3,538
Expenses from credit losses	**53**	**-**	**53**	26	1	27
Operating and other expenses	**1,646**	**118**	**1,764**	1,555	103	1,658
Net profit attributed to the shareholders of the Bank	**852**	**88**	**940**	1,006	88	1,094
Average balance of credit to the public	**59,798**	**133**	**59,931**	57,298	101	57,399
Balance of credit to the public at the end of the reported period	**62,727**	**180**	**62,907**	59,514	137	59,651
Average balance of deposits from the public	**69,977**	**11,728**	**81,705**	73,087	12,089	85,176
Balance of deposits from the public at the end of the reported period	**68,328**	**11,760**	**80,088**	72,216	12,449	84,665

Main changes in the result of activity in the year 2025 compared with the year 2024

Total net interest income amounted to NIS 2,630 million, as compared with NIS 2,798 million in 2024, a decrease of 6.0%, stemming from a decline in the spread of credit granting activity and from a decrease in the volume of deposits from the public.

Non-interest income amounted to NIS 816 million, compared with NIS 740 million in 2024, an increase of 10.3%, which mainly stemmed from an increase in income from capital market activity.

Expense in respect of credit losses amounted to NIS 53 million, compared with NIS 27 million in 2024.

Operating and other expenses amounted to NIS 1,764 million, as compared to NIS 1,658 million in 2024, an increase of 6.4%, stemming mainly, from grants to the customers of the Bank in the framework of the voluntary outline of Bank of Israel and from an increase in the expenses of marketing and advertising.

The net profit attributed to the shareholders of the Bank in respect of the private individuals segment amounted to NIS 940 million, compared with NIS 1,094 million in 2024, a decrease of 14.1%.

Average balance of credit to the public amounted to NIS 59,931 million, in comparison with NIS 57,399 million in 2024, a decrease of 4.4%.

Credit to the public as of December 31, 2025 amounted to NIS 62,907 million, in comparison with NIS 59,651 million as of December 31, 2024, an increase of 5.5%.

Average balance of deposits from the public amounted to NIS 81,705 million, in comparison with NIS 85,176 million in 2024, a decrease of 4.1%.

Deposits from the public as of December 31, 2025 amounted to NIS 80,088 million, in comparison with NIS 84,665 million as of December 31, 2024, a decrease of 5.4%.

INSTITUTIONAL ENTITIES

Total income attributed to this segment amounted in 2025 to NIS 543 million, compared to NIS 439 million in 2024, an increase of 23.7%, stemming mainly from an increase in income from capital market activity and from deposits taking activity.

Operating and other expenses amounted to NIS 283 million in 2025, compared to NIS 214 million in 2024, an increase of 32.2%, stemming mainly from an increase in capital market activity commissions.

Net profit in the institutional entities segment amounted in 2025 to NIS 162 million, compared to NIS 144 million in the corresponding period last year, an increase of 12.5%.

Average balance of deposits from the public amounted to NIS 90,271 million, compared to NIS 64,729 million in the corresponding period last year, an increase of 39.5%.

Balance of deposits from the public as of December 31, 2025 amounted to NIS 93,368 million, compared to NIS 72,957 million, as of December 31, 2024, an increase of 28.0%.

FINANCIAL MANAGEMENT SEGMENT

Total income attributed to this segment amounted to NIS 217 million compared with NIS 130 million in 2024. The increase in total income was affected mainly by an increase in interest income due to the exchange of the assets' portfolio and from an increase in profits from the sale of available for sale bonds, partially offset by the effect of the decline in the CPI.

The net profit of the Financial Management Segment amounted to NIS 113 million compared to NIS 89 million in the corresponding period last year. The increase in net profit is explained mainly by the increase in income as above. This profit was partially offset by the decrease in the Bank's share in the profit of ICC.

Total income from trading activity attributed to the sector, amounted to NIS 26 million. Total interest income, net (Note 2 to the financial statements) and non interest financing income (note 3 to the financial statements), in respect of trading activity, amounted to NIS 18 million. The difference of NIS 8 million derives from income in activity in trading purposes derivative instruments, which are not attributed to this sector.

PRINCIPAL INVESTEE COMPANIES

Bank Massad Ltd. (hereinafter - "Massad") - in which the Bank holds 51.0% of the share capital and voting rights, is a commercial bank specializing in providing services to the teaching population in Israel.
The Bank's investment in Massad amounted to NIS 609 million as of December 31, 2025.
Total assets of Massad as of December 31, 2025 amounted to NIS 12,360 million compared with NIS 12,535 million as of December 31, 2024, a decrease of 1.4%.
Shareholders' equity of Massad as of December 31, 2025, totaled NIS 1,195 million compared with NIS 1,336 million as of December 31, 2024, a decrease of 10.6%.
Net earnings of Massad totaled NIS 207.3 million in 2025, compared with NIS 215.9 million in 2024, a decrease of 4.0%.
The Bank's share in Massad's operating results for 2025 amounted to NIS 106.4 million compared with NIS 110.1 million in 2024, a decrease of 3.4%.
On September 30, 2025, Massad Bank distributed a dividend in the amount of NIS 120 million. The bank's share of the dividend amounted to approximately NIS 61 million.
On December 30, 2025, Massad Bank distributed a dividend in the amount of NIS 250 million. The bank's share of the dividend amounted to approximately NIS 128 million.
Net return on equity amounted to 14.7% in 2025, compared with 17.3% in 2024. The ratio of comprehensive capital to risk assets amounted to 16.40%, compared with 19.12% at the end of 2024. The Tier 1 equity capital ratio amounted to 15.32% compared with 18.03% at the end of 2024.
In the framework of the ICAAP process for the data of September 30, 2024 the minimal capital targets were set as follows: tier 1 equity capital ratio will be no less than 10.5% and the comprehensive capital ratio will be no less than 12.65%.

Israel Credit Cards Ltd. ("ICC") - The Bank holds 28.2% of equity and 21.0% of voting rights in ICC.
ICC markets and issues credit cards and settles credit card transactions of the international Visa and MasterCard brand, markets and operates Diners credit cards on an exclusive basis in Israel, and also settles credit cards of IsraCard brand.
The Bank's investment in ICC amounted to NIS 874 million as of December 31, 2025.
The ratio of comprehensive capital to risk assets amounted to 12.30%, compared with 12.8% at the end of 2024. The Tier 1 equity capital ratio amounted to 11.30% compared with 11.7% at the end of 2024.
The Bank's share in the net earnings of ICC before the tax effect amounted in 2025 to NIS 33.4 million compared with NIS 87.9 in 2024, a decrease of 62.0%.

The operating results of ICC in 2025, were impacted by events of a one-time nature, the principal of which are:

A. Expenses relating to the judgment in the matter of VAT assessments amounting to NIS 137 million, net after the tax effect.
B. Expenses resulting from updating of the value of a "Phantom" type option that had been granted to EL-AL (as detailed in the Bank's Directors Report in the Chapter Principal investee companies in the financial statements for the year 2022), amounting to NIS 75 million, net after the tax effect, this in accordance with an updated valuation in the hands of ICC, based, among other things, on the agreement for the sale of the holdings of Israel Discount Bank Ltd. (hereinafter – "Discount") in ICC, as detailed hereunder. It should be noted that the fair value, as stated, is based on the immediate consideration and the conditional consideration in full, and that if Discount would not be entitled to the conditional consideration determined in the agreement, or to a part thereof, the liability would be reduced in an amount of up to NIS 16 million, net after the tax effect.

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

In accordance with the reports of ICC and with the Increase in Competition and Reduction in Centralization in the Banking Market in Israel Act (Legislation amendments), 2017 and the related Regulations, Discount, which controls ICC, is obliged to sell the means of control it holds in ICC within a period of three years from date of publication of the Regulations or, under certain circumstances, by the end of four years, if it is decided on an outline for a public issue of shares.

On July 23, 2024, the Banking Act (Licensing) (Amendment No. 31), 2024 was published, within the framework of which certain adjustments were made, and it was determined that the timetables for the sale would be extended by fifteen months (until May 2027 or, if Discount's holdings in ICC are reduced to 40% or less - until May 2028). In addition, amendments were approved that allow the sale of ICC to an institutional or significant nonfinancial entity. It was further determined that even a bank with a medium-sized scope of activity (whose assets are between 5% and 10% of the value of the assets of all banks in Israel), and including, as of date of publication of these statements, the Bank, shall not control a corporation that is a clearing agent with a wide scope of operations, as defined in the Amendment, and includes ICC as of the present time.

In addition, a transitional instruction was determined, according to which, a bank with a medium-sized scope of activity that held means of control in a clearing agent having wide scope operations, and turned into its controlling shareholder without increasing its holdings thereof, will be permitted to continue and control such clearing agent until the end of two years and nine months from the date on which he became a controlling shareholder. A bank with a medium-sized scope of activity is also forbidden to operate as a clearing agent having a wide scope activity. It is clarified that in accordance with the law, nothing prevents the Bank from holding an interest in ICC at a rate that does not constitute control, or from operating as a clearing agent having a non-wide scope of operation.

A report issued by Discount on September 19, 2025, indicates that on the same date Discount entered into an agreement (hereinafter - "the agreement") with Union Investments and Development Ltd. and Harel Insurance Investments Ltd. (hereinafter together – "the Purchasers") for the sale of all its holdings in ICC.

In accordance with the principal points of the said report by Discount:

1. In consideration for the sale of all the holdings of Discount in ICC (79% of voting rights and 71.8% of equity rights) the Purchasers will pay an amount of up to NIS 2,873 million, which includes an immediate component of NIS 2,694 million, fully payable in cash on date of consummation of the transaction (hereinafter – "immediate consideration" and "consummation date", respectively), which will take place soon after fulfillment of all conditions precedent. The immediate consideration would be adjusted in respect of distributions of dividends and certain transaction expenses, and following six months since date of signature would begin to carry interest at the determined rate, until date of consummation.
2. Subject to meeting the threshold conditions resulting from the business performance of ICC, a variable component depending upon the business performance of ICC, would be added to the immediate consideration, payable over a period of two years, in respect of each of the years 2027 and 2028, reaching an amount of up to NIS 180 million (hereinafter – "the conditional consideration").
3. The last date for the consummation of the transaction would be six months since date of signature, when under certain conditions, it would be possible to extend this period by additional four- and one-half months in total.
4. Consummation of the transaction is subject to meeting the conditions precedent determined in the agreement, including obtaining a control permit (and holding, as the case may be) issued by the Supervisor of Banks, approval by the Competition Commissioner and third-party approvals.
5. In view of the conditions precedents to which the agreement is subjected, no certainty exists as to the consummation of the transaction or its timing, as well as no certainty as to the materialization of the conditions for a full or partial payment of the conditional consideration.

On September 21, 2025, the Bank was informed by Discount that the Bank has the right of joining the agreement.
In accordance with the contents of the notice and subject to the terms noted therein, the Bank has the right to join the transaction within 60 days from the date of the notice. In accordance with that stated in the notice, if and to the extent that the right of joining would be exercised by the Bank, the holdings of the Bank in ICC shall be acquired by Union only, and the total consideration for the transaction will increase respectively, so as to reflect a ratio of 71.83% for Discount and 28.17% for the Bank, in accordance with the equity rights holdings in ICC. On November 19, 2025, the Bank informed Discount that it exercising the right to join the transaction. To the extent that the transaction would be consummated, the Bank is expected to recognize net gains after the tax event of up to NIS 132 million, according to the balance of investment in ICC, as of December 31, 2025, as well as future gains, net after the effect of tax, of up to NIS 52 million, depending on the conditional consideration.
It should be noted, that the said gain will be updated in accordance with the Bank's share in the earnings of ICC, which will be recorded on a current basis, up until the adjacent quarter to the consummation of the transaction. In view of the conditions precedents to which the agreement is subjected, no certainty exists as to the consummation of the transaction or its timing, as well as no certainty as to the final consideration of the transaction, as consummated, which will be affected, among other things, from the mechanism of adjustment of consideration that was set in the purchase agreement, from the reimbursement terms in the transaction and from the mechanism of the conditional consideration, affected from the business results of ICC in the years 2027 and 2028. .

See Note 25 to the 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

Additional information about the risks can be found in the report on risks and additional supervisory reporting in the Bank's internet website.

General

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

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

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

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

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

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

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

Credit risks are managed by Vered Golan, CPA, Head of the Business Division.

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

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

Compliance risks are managed by Mrs. Einat Rosen Cohen - 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.

IT risks are managed by Ms. Liora Schechter, CEO of MATAF – computing and financial operation ltd.

Cyber risks are managed by Mrs. Iris Chen, manager of cyber defense and information security.

Legal Risks are Managed by Adv. Moriah Hoftman-Doron, Head of the Legal Division.

Reputation Risk is managed by Mr. Nachman Nitzan, CPA, CFO, head of the chief accounting division.

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

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

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

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

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

k. The Bank and the Group have diverse stress tests for the unique risks, as embedded in the various policy documents. The Bank applies stress tests for reviewing capital adequacy and the capital ratio according to the triennial capital planning. The stress tests combine the realization of a number of risk centers at the same time. The stress tests used by the Bank are based on sensitivity analysis, historical scenarios, hypothetical scenarios and macroeconomic scenarios. The stress tests were updated in the course of the ICAAP process, which were approved by the Board of Directors during the second quarter of 2025, reflecting also the possible effects of the increase in inflation, changes in monetary policy, and higher returns bonds, the effect of which are expressed in negative rate of growth and increasing rate of unemployment. In addition, the war scenarios were updated.

   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 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 request of the Bank of Israel, in May 2025 the Bank submitted the uniform scenarios for the data as of September 2024, which was built in accordance of two levels of severity- basic (representing the expected path of the economy) and extreme. The extreme scenario focused on the prolongation and escalation of the War in multiple arenas, damage of the business activity, mainly import- export, due to the increase in the uncertainty level, increasing unemployment, increasing inflation and a rise in Bank of Israel interest rate, and downgrading the credit rating of Israel below investment grade. The Bank's equity ratios in all scenarios exceed the relevant limits.

For discussion of the risk appetite and risk management principles, see reference in the description of principal risks, presented below.

CREDIT RISK

General

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

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

Risk policy and risk appetite

Credit policy

The risk management division leads the process of the formulation of the credit risk policy, with the participation of the employees in charge of the credit extension in the Bank. The credit policy document is discussed and approved at least once a year by the Management, the Loan and the Risk Management Committees and by the Board of Directors of the Bank and is revised according to changes in the financial markets in Israel and globally, changes in regulation and in requirements of the business, as detailed below. The Bank's procedures in the area of credit and credit risk management support and express this policy in practice.

The Board of Directors of the Bank has outlined a strategy for reducing undesirable exposure to credit risk by defining risk appetite. In this respect were defined areas of activity which are not in the marketing focus of the Bank, as well as areas where credit is not granted, to the extent that the risk level imbedded in them is high or if the level of management and control over them is not high enough, even though the potential income from them is expected to be high.

Risk appetite

The Bank's credit risk appetite reflects measured willingness of taking credit risks, corresponding with cautious banking activity, corresponding with the supervisory requirements and corresponding with the volume of the Bank's activity and its character. Accordingly, the Bank's policy includes an extensive and detailed discussion of objectives and the manner of business credit development in different sectors and areas of activity, while defining detailed principles for each sector and area, including individual restrictions at the sub-sector level and the activities areas that are notable for a high level of risk.

Credit risk measurement, estimation and management systems

The Bank employs internal models for rating the credit risk inherent in the customer’s activity. The models are based mostly on objective criteria relating to the borrower’s position (the customer’s characteristics, the composition of his collateral, the financial resilience apparent in the customer’s financial reports, sector-specific data and other financial data).

Collaterals management policy

The Bank has a clearly defined policy regarding the acceptance of assets as collateral for credit, the manner in which collateral is pledged and the rates of reliance on each type of collateral, according to past experience.

Collateral reliance policy is conservative and based on the updated fair value of the collaterals, their liquidity and the speed at which they can be realized if necessary.

Problematic debt policy and the provision for credit losses

- The Bank maintains structured working procedures facilitating the early detection of problematic borrowers. The Bank determined procedures for identification of problematic debts and classification of debts as problematic. In addition, the Bank determined a policy for the measurement of the provision for credit losses in order to maintain provision at an appropriate level to cover anticipated credit losses.
- Operating within the Bank are specialist units that process problematic loans.

Supervision and control of the management of credit risk exposure

The Bank maintains suitable mechanisms for the control, management, supervision and audit of the credit risk management process. The Bank's managerial and control concept is to identify, quantify and estimate the exposure to credit risks on a current basis, and to control the adherence to the prescribed restrictions.

Credit risk exposure management is examined and reviewed constantly, within the review of all risks, by specialist committees and forums at the level of the Board of Directors, Management and the middle-management grades, as detailed in the risk report in the internet.

The Bank has a system for documenting the legal documents creating the liens on the assets pledged as collateral in the customers files and a system that controls the value of the assets, enabling current daily supervision.

Reporting on exposure to credit risks

Management and the Board of Directors of the Bank receive from management, supervision and control functions a range of reports on exposure to credit risks in various cross-sections among which is the quarterly Risk Document. This document contains, inter alia, review of the credit portfolio development, credit risk evaluation reports by economic sectors in various cross-sections, adherence to regulatory limitations and to limitations prescribed by the Board of Directors and Management, and a review of the balance of problematic debts and the provision for credit losses, as required in Proper Conduct of Banking Business Directives 310 and 311.

Credit quality and problematic credit risk

As of December 31, 2025, problematic credit risk with all its different components, including off-balance-sheet components, totaled NIS 1,656 million compared with NIS 1,927 million at the end of 2024, a 14.1% decrease.

The ratio of problematic credit risk to total credit risk at the Group amounted to 0.8% at the end of 2025, compared with 1.1% at the end of 2024.

11.2% of problematic credit risk at the Group are attributed to the industrial sector, 31.1% to the real estate sector, 10.7% to the commercial sector and 36.8% to the private customers sector including housing loans.

The ratio of the stated problematic credit risk to total credit to the public amounted to 1.0%, compared to 1.3% at the end of 2024.

For additional information regarding credit quality see note 29.b.(1) to the financial statements.

Analysis of credit quality, problematic credit risk and non-performing assets of the public

	December 31, 2025				December 31, 2024			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
								NIS million
Credit risk in credit granting rating(1)								
Balance sheet credit risk	**82,906**	**38,392**	**22,923**	**144,221**	69,338	35,918	22,307	127,563
Off-balance sheet credit risk(3)	**33,534**	**4,711**	**18,159**	**56,404**	27,414	3,902	18,003	49,319
Total credit risk in credit granting rating	**116,440**	**43,103**	**41,082**	**200,625**	96,752	39,820	40,310	176,882
Credit risk not in credit granting rating:								
Non problematic	**1,533**	**240**	**753**	**2,526**	1,038	239	678	1,955
Problematic accruing	**526**	**84**	**168**	**778**	862	56	167	1,085
Problematic not-accruing	**303**	**242**	**107**	**652**	379	183	106	668
Total balance sheet credit risk	**2,362**	**566**	**1,028**	**3,956**	2,279	478	951	3,708
Off-balance sheet credit risk(3)	**540**	**-**	**121**	**661**	384	-	95	479
Total credit risk not in credit granting rating	**2,902**	**566**	**1,149**	**4,617**	2,663	478	1,046	4,187
Of which: accruing debts in arrears of 90 days or more	**7**	**-**	**16**	**23**	9	-	18	27
Total overall credit risk of the public(2)	**119,342**	**43,669**	**42,231**	**205,242**	99,415	40,298	41,356	181,069
Non-performing assets								
Debts not accruing interest income	**303**	**242**	**107**	**652**	379	183	106	668

(1) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy.
(2) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Including: debts, bonds and Securities which were borrowed or purchased under agreements to repurchase.
(3) Credit risk in off-balance sheet financial instruments as was calculated for the purpose of limitations on the indebtedness of a borrower.

For additional information in respect of debts in deferred payments of 180 days and more, which are not classified as problematic debts, see note 29.b.1 to the financial statements.

Changes in non-accruing debts

	For the year ended December 31, 2025				For the year ended December 31, 2024			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
				NIS million				NIS million
Balance of non-accruing debts at beginning of period	**379**	**183**	**106**	**668**	394	205	91	690
Classified as non-accruing during the period	**228**	**192**	**126**	**546**	253	126	123	502
Removed from non-accruing classification	**(136)**	**(106)**	**(30)**	**(272)**	(41)	(137)	(23)	(201)
Accounting write-offs	**(46)**	**-**	**(59)**	**(105)**	(56)	-	(51)	(107)
Collection of debts	**(122)**	**(27)**	**(36)**	**(185)**	(171)	(11)	(34)	(216)
Balance of non-accruing debts at end of period	**303**	**242**	**107**	**652**	379	183	106	668
Changes in provision for credit losses in respect of non-accruing debts								
Balance of provision for credit losses at the beginning of the period	**132**	**8**	**36**	**176**	121	12	28	161
Increase in provisions	**108**	**10**	**41**	**159**	82	4	38	124
Collection and write-offs	**(98)**	**(5)**	**(41)**	**(144)**	(71)	(8)	(30)	(109)
Balance of provision for credit losses at the end of the period	**142**	**13**	**36**	**191**	132	8	36	176

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

	December 31, 2025				December 31, 2024			
	Commercial	**Housing**	**Private**	**Total**	**Commercial**	**Housing**	**Private**	**Total**
Analysis of quality of credit to the public								
Ratio of non-accruing credit to credit to the public	**0.36%**	**0.62%**	**0.45%**	**0.44%**	0.53%	0.50%	0.46%	0.51%
Ratio of non-accruing credit or in arrears of 90 days or more to credit to the public	**0.36%**	**0.62%**	**0.51%**	**0.46%**	0.54%	0.50%	0.53%	0.53%
Ratio of problematic credit to credit to the public	**0.97%**	**0.84%**	**1.15%**	**0.97%**	1.74%	0.66%	1.17%	1.34%
Ratio of credit not at credit execution rating to credit to the public	**2.78%**	**1.45%**	**4.29%**	**2.67%**	3.19%	1.31%	4.09%	2.83%
Analysis of expenses 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	**(0.04%)**	**(0.01%)**	**0.25%**	**0.01%**	(0.07%)	(0.08%)	0.25%	(0.01%)
Ratio of net accounting write-offs to the average balance of credit to the public	**(0.06%)**	**(0.01%)**	**0.12%**	**(0.01%)**	(0.08%)	(0.02%)	0.07%	(0.04%)
Analysis of provision for credit losses in respect of credit to the public								
Ratio of provision for credit losses to credit to the public	**1.16%**	**0.41%**	**2.06%**	**1.11%**	1.41%	0.44%	2.01%	1.25%
Ratio of provision for credit losses to the balance of non-accruing credit to the public	**325.7%**	**66.1%**	**460.7%**	**251.5%**	265.4%	87.4%	441.5%	244.6%
Ratio of provision for credit losses to the balance of credit to the public, non-accruing or in arrears of 90 days or more	**318.4%**	**66.1%**	**400.8%**	**243.0%**	259.3%	87.4%	377.4%	235.1%
Ratio of provision for credit losses to net accounting write-offs	**(22.4)**	**(53.3)**	**17.6**	**(86.3)**	(19.0)	(20.0)	29.3	(36.3)

Total credit risk according to economic sectors

(NIS million)

	December 31, 2025						
					Credit losses (2)		
	Total credit risk(1)	Of which: having credit granting 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	**10,604**	**9,921**	**123**	**26**	**(65)**	**(28)**	**174**
Construction and Real estate - construction	**23,398**	**22,682**	**448**	**36**	**33**	**(2)**	**273**
Construction and Real estate - real estate activities	**9,821**	**9,496**	**67**	**50**	**(23)**	**(11)**	**192**
Commerce	**10,587**	**10,201**	**177**	**120**	**(7)**	**(2)**	**229**
Financial services	**46,102**	**46,047**	**4**	**3**	**(2)**	**-**	**33**
Other business services	**17,344**	**16,693**	**165**	**84**	**22**	**(1)**	**222**
Total commercial	**117,856**	**115,040**	**984**	**319**	**(42)**	**(44)**	**1,123**
Private individuals - housing loans	**43,669**	**43,103**	**326**	**242**	**(3)**	**(3)**	**170**
Private individuals - others	**42,229**	**41,080**	**283**	**108**	**56**	**28**	**529**
Total public - activity in Israel	**203,754**	**199,223**	**1,593**	**669**	**11**	**(19)**	**1,822**
Banks in Israel and Israeli government	**29,010**	**29,010**	**-**	**-**	**-**	**-**	**2**
Total activity in Israel	**232,764**	**228,233**	**1,593**	**669**	**11**	**(19)**	**1,824**
In respect of borrowers abroad							
Total public - activity abroad	**1,488**	**1,402**	**63**	**34**	**8**	**-**	**28**
Banks abroad and foreign governments	**12,680**	**12,680**	**-**	**-**	**-**	**-**	**-**
Total activity abroad	**14,168**	**14,082**	**63**	**34**	**8**	**-**	**28**
Total	**246,932**	**242,315**	**1,656**	**703**	**19**	**(19)**	**1,852**

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 financial instruments as was calculated for debt limitation of a borrower, in the amount of NIS 150,934 million, NIS 36,676 million, NIS 355 million, NIS 695 million and NIS 58,272 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.

Total credit risk according to economic sectors (Cont'd)

(NIS million)

	December 31, 2024						
					Credit losses (2)		
	Total credit risk(1)	Of which: Having Credit granting 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	10,461	9,895	329	149	(62)	(57)	221
Construction and Real estate - construction	19,164	18,694	368	24	51	5	236
Construction and Real estate - real estate activities	8,358	8,004	156	34	57	1	202
Commerce	10,310	9,828	339	119	(28)	8	250
Financial services	35,019	34,888	14	8	3	1	35
Other business services	15,342	14,688	198	89	(59)	(11)	191
Total commercial	98,654	95,997	1,404	423	(38)	(53)	1,135
Private individuals - housing loans	40,298	39,820	239	183	(27)	(8)	170
Private individuals - others	41,356	40,310	282	107	54	16	501
Total public - activity in Israel	180,308	176,127	1,925	713	(11)	(45)	1,806
Banks in Israel and Israeli government	25,914	25,914	-	-	(1)	-	1
Total activity in Israel	206,222	202,041	1,925	713	(12)	(45)	1,807
In respect of borrowers abroad							
Total public - activity abroad	761	755	2	1	(4)	-	7
Banks abroad and foreign governments	11,318	11,318	-	-	-	-	-
Total activity abroad	12,079	12,073	2	1	(4)	-	7
Total	218,301	214,114	1,927	714	(16)	(45)	1,814

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 financial instruments as was calculated for debt limitation of a borrower, in the amount of NIS 134,377 million, NIS 33,178 million, NIS 70 million, NIS 368 million and NIS 50,308 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.

Counter-party credit risk management

a. General

Counter-party credit risk is the risk that the counter-party to a transaction will become insolvent before the final settlement date for the payments in respect of the transaction. An economic loss will be caused if transactions with the counter-party have a positive economic value at the time when the counter-party becomes insolvent. Counter-party credit risk in the Bank is expressed in activity in derivatives against financial institutions.

In contrast to credit exposure, in which the exposure is unilateral and the Bank alone bears the risk of a loss, counter-party risk creates a bilateral risk of a loss, dependent on the existence of a positive or negative transaction value for each of the parties to the transaction. Exposure to counter-party risk is also apparent in the transactions' market value. The market value of the transactions may change over the lifetime of the transaction, due to changes in the relevant parameters in the market.

b. Policy and risk appetite

The Bank has risk policy and risk appetite at the Group level for activity with financial institutions, both at the overall risk appetite level and at the level of exposure to the single counter-party in a particular type of exposure and single transaction, taking due account of the Bank's equity capital and proportion of positions in it and based on parameters derived from the financial resilience of the counter-party.

The Group manages positions in respect of counter-parties by means of netting agreements which significantly reduce the risks to the Group's capital in situations of counter-party repayment default.
As part of its current counter-party risk management, the Bank monitors daily the adherence to the credit line restrictions allocated for activity with banks and financial institutions.

c. Reporting of exposure to counter-party credit risks

Management and the Board of Directors of the Bank and its committees, receive from management, supervision and control functions, a range of reports on the exposure to counter-party credit risks in various cross-sections.

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)

	December 31, 2025			December 31, 2024		
	Balance sheet exposure(2)(3)	Off Balance sheet exposure(2)(3)(4)	Total	Balance sheet exposure(2)(3)	Off Balance sheet exposure(2)(3)(4)	Total
United States	**13,755**	**474**	**14,229**	12,033	389	12,422
Other countries	**2,960**	**1,176**	**4,136**	1,937	430	2,367
Total exposure to foreign countries	**16,715**	**1,650**	**18,365**	13,970	819	14,789
Off which: Total exposure to LDC countries	**117**	**36**	**153**	167	42	209
Off which: Total exposure to countries with liquidity problems	(5)**10**	**1**	**11**	(5)25	1	26

* 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) Balance sheet and off-balance sheet credit risk presented after mitigation of credit risk.
(4) Off-balance sheet credit risk as calculated for the purpose of the limits on indebtedness of borrower.
(5) Most of the exposure is fully insured.

Risks in the housing loans portfolio

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

The Bank adopts a conservative credit policy that is approved by the Board of Directors of the Bank and that is examined yearly, and is updated in accordance with changes and transformations taking place in Israel, changes in regulation, etc. As part of this policy, the Bank currently follows developments in the mortgages portfolio and adopts different measures for the management of the risk inherent therein.
Risks are examined in accordance with the policy adopted in respect of risk appetite in the mortgage field, both at the level of the single transaction and at the level of the whole mortgage portfolio of the Group. The Bank manages the risks, inter alia, by imposing restrictions regarding certain parameters, such as the financing ratio (LTV), ratio of repayment to income, the rate of loans carrying variable interest, the rate of loans for long periods (exceeding 25 years), and more.
Upon the granting of a mortgage loan, the Bank examines the probability of default by using a statistical model, as well as examines the repayment ability of the borrower in possible scenarios of changes in interest rates. The Bank takes extra care in cases of assets the registration position of which is complex, while giving greater consideration to the quality of the borrower and to the financing ratio.
The Bank performs monthly control on the development of risk characteristic of the mortgage portfolio, in accordance with restrictions according to parameters of the credit policy. In addition, the Bank monitors changes in the volume of problematic

debts in the mortgage portfolio, as well as the rate of arrears thereof, comparing the data with that of the whole banking sector.

The Bank has a limited operation of contractor-subsidized loans (subsidized financing costs and/or deferral of payments to the delivery date) in the housing loans portfolio. These loans are usually made for the short-term, up to three years. These loans' underwriting process is comprehensive, on a case-by-case basis, like other housing loans. These loans' rate of the Bank's total housing loans portfolio is negligible.

The Bank continues to monitor the potential effects of recent macroeconomic developments on the mortgage portfolio.

Volume of housing loans

	For year ended December 31,		
	2025	2024	Change
		NIS million	%
Housing loans extensions			
Loans from bank funds	**6,545**	4,345	50.6
Loans from Treasury funds	**13**	11	18.2
Grants from Treasury funds	**7**	7	-
Total new loans	**6,565**	4,363	50.5
Refinanced loans from bank funds*	**1,037**	590	75.8
Total extensions	**7,602**	4,953	53.5

	December 31,		
	2025	2024	Change
		NIS million	%
Balance of housing loans, net			
Loans from bank funds	**38,798**	36,236	7.1
Loans from Treasury funds**	**186**	203	(8.4)
Grants from Treasury funds**	**60**	66	(9.1)
Total balance of housing loans	**39,044**	36,505	7.0

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

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

Loan to value

One of the main parameters used by the Bank in examining the risk in the housing loan portfolio is the loan to value ratio (LTV). The LTV is calculated in accordance with Banking Supervision Division's Directive No. 876 - "Report on housing loans," and is the ratio between the amount of credit and the value of the assets serving as collateral 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 as of December 31, 2025 included 67% of credit granted at an LTV of up to 60%, compared to 68% as of December 31, 2024. 98% of total loans were granted at an LTV of up to 75%, similar to 2024.

Housing loan extensions from the Bank's sources in 2025 included 59% of credit granted at an LTV of up to 60%, compared with 61% in 2024. All loan extensions were granted at an LTV of up to 75%, similar to 2024.

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 December 31, 2025 included 85% of credit granted at a debt-income ratio of up to 35%, compared with 87% as of December 31, 2024. 99% of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50%, similar to December 31, 2024.
Housing loan extensions from the Bank's sources in 2025 included 69% of credit granted at a debt-income ratio of up to 35% as compared to 74% in 2024. All of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50% similar to 2024.
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 December 31, 2025 includes 60% of credit that was granted at floating-rate interest and amounts to NIS 23,211 million.
Housing loan extensions from the Bank's sources in 2025 include NIS 3,569 million of credit granted at floating-rate interest of up to five years constituting 55% of extensions. An amount of NIS 180 million is at floating-rate interest changing every five years and over, constituting 3% of extensions.

Long-term loans

The portfolio of housing loans from the Bank's sources as of December 31, 2025 includes 68% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 26,521 million.
Housing loan extensions from the Bank's sources in 2025 include 44% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 2,868 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												
	Unlinked segment				CPI-linked segment				Foreign-currency linked segment		Total	Secured by a residential apartment	Total
	Fixed-rate		Floating rate		Fixed-rate		Floating rate		Floating rate				
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Balance	Balance
	NIS million	%	NIS million	%	NIS million	%	NIS million	%	NIS million	%	NIS million	NIS million	NIS million
31.12.25	**11,051**	**29.5**	**16,809**	**44.9**	**4,046**	**10.8**	**5,549**	**14.8**	**3**	**-**	**37,458**	**1,340**	**38,798**
31.12.24	10,163	28.9	15,162	43.2	4,113	11.7	5,674	16.2	4	-	35,116	1,120	36,236

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

	2025	2024	2023
Total housing loan extensions (NIS million)	**6,545**	4,345	3,456
Rate of change in housing loan extensions compared with previous year	**50.6%**	25.7%	(51.5%)
Rate of expense (income) on credit losses relative to mortgages at the Bank's risk	**(0.01%)**	(0.08%)	0.12%
Cumulative rate of provision for credit losses relative to mortgages at the Bank's risk	**0.44%**	0.46%	0.54%

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

On March 30, 2025 the Bank of Israel announced the formation and going onto effect of a voluntary outline of financial reliefs to the customers of the banking sector. The Bank formatted an overall outline that includes benefits in the mortgage area to eligible customers. For additional details, see the effect of "Swords of Iron" War and Operation "Rising Lion" above.

Limitations on performance rate of contractor-subsidized ballon and bullet loans

On April 6, 2025 an update to Proper Conduct of Banking Business Directive No. 329 in the matter of limitations of extending housing loans, was published. The update states that contractor-subsidized Balloon and Bullet loans (loans in which the developer pays the interest payments, in whole or in part, either at the time of the loan or during its course) will not exceed

10% of the total performance in a calendar quarter for housing loans (excluding "any purpose" loans secured by a residential apartment).

The effective date of the update is from publication and will be in effect until December 31, 2026. The aforementioned limitation will not apply to performance for loans for which the Bank has given in-principal approval before the effective date of the update.

Material effect on the Bank is not expected.

Update of limitation on extending housing loans

On February 8, 2026, an update to Proper Conduct of Banking Business Directive No. 329 in the matter of limitations of extending housing loans, was published. The update clarifies that in the calculation of debt- income ratio (PTI) at the time of taking another housing loan, on top of existing housing loan secured by the same asset, the monthly payment should be examined in respect of the total credit secured by the same asset. The update will be implemented on loans extended as from July 1, 2026.

In addition, the amount of the maximum asset value, in respect of which the banking corporation can take into account when calculating the loan-to-value ratio (LTV), for reduced price apartments, was update. Moreover, the update fixes a temporary relief, given in the framework of temporary order No. 251 in respect of “Adjustments to Proper Conduct of Banking Business Directive in Order to cope with Swards of Iron War”, according to which, a banking corporation, may approve housing loan, the purpose of which is not to purchase real estate right (any purpose loan), even if the loan-to-value is up to 70%, as long as the amount of the loan exceeding loan-to-value of 50%, will not exceed NIS 200 thousand.

The updates took effect at date of publication. The Bank is preparing to implement the directive.

Private individuals credit risk (excluding housing loans and derivatives)

General

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

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

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

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

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

In the consumer credit field, the Bank focuses on credit typified by a high level of distribution and a low level of risk. Taking into account the fact that the subsidiary Massad Bank is also engaged in the credit field, the Bank operates from a Group viewpoint and acts for the implementation of an orderly work format of the Group, which defines, inter alia, a business focused format for each population in the Group. The targeted population is mostly a population having stable sources of income, which requires finance in the consumer field and has credit repayment ability, inter alia, designated populations

having a joint connection on a country-wide level (such as: teaching personnel, Defense system personnel, etc.) having repayment ability or realizable collateral.

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

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

87% of the balance of the credit risk to private individuals is in respect of customers with fixed income credited to their accounts in an amount exceeding NIS 10 thousand.

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

On March 30, 2025 the Bank of Israel announced the formation and going onto effect of a voluntary outline of financial reliefs to the customers of the banking sector. The Bank formatted an overall outline that includes benefits to eligible private customers. For additional details, see the effect of "Swords of Iron" War and Operation "Rising Lion" above.

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

	December 31,		
	2025	**2024**	**change**
		NIS million	%
Current account and utilized balances of credit cards	**6,251**	6,030	3.7
Other loans	**17,698**	17,225	2.7
Total stated credit risk	**23,949**	23,255	3.0
Unutilized current account credit lines	**5,487**	5,301	3.5
Unutilized credit lines in credit cards	**9,814**	9,066	8.3
Other off-balance credit risks	**2,951**	3,709	(20.4)
Total off-balance credit risk	**18,252**	18,076	1.0
Total credit risk	**42,201**	41,331	2.1
Average volume of credit, including overdrafts, credit cards and loans	**22,505**	21,636	4.0

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

	December 31,		
	2025	**2024**	**change**
		NIS million	%
Non-accruing credit risks	**108**	107	0.9
Accruing problematic credit risk	**175**	175	-
Performing credit risk	**41,918**	41,049	2.1
Total credit risk	**42,201**	41,331	2.1
Of which: accruing debts in arrears of 90 days or more	**16**	18	(11.1)
Debts of borrowers in financial difficulties undergone change in terms	**96**	92	4.3
Ratio of credit loss expense to average credit to the public	**0.25%**	0.25%	

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

	December 31, 2025			
Fixed income credited to the account*	Total financial assets** lower than NIS 50 K	Total financial assets** higher than NIS 50 K	Stated Credit risk	Off-balance sheet credit risk
NIS thousands				NIS million
No fixed income	**122**	**29**	**151**	**219**
Up to 10	**2,462**	**306**	**2,768**	**2,314**
From 10 to 20	**4,736**	**1,182**	**5,918**	**4,009**
Over 20	**9,122**	**5,990**	**15,112**	**11,710**
Total	**16,442**	**7,507**	**23,949**	**18,252**

	December 31, 2024			
Fixed income credited to the account*	Total financial assets** lower than NIS 50 K	Total financial assets** higher than NIS 50 K	Balance sheet Credit risk	Off-balance sheet credit risk
NIS thousands				NIS million
No fixed income	147	36	183	210
Up to 10	2,612	323	2,935	2,428
From 10 to 20	4,674	1,227	5,901	4,034
Over 20	8,256	5,980	14,236	11,404
Total	15,689	7,566	23,255	18,076

* Fixed income credited to the account as defined in the reporting instruction to the Supervisor of Banks No.836 (which includes actual salary on an average 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)

	December 31, 2025	December 31, 2024
	Balance sheet credit risk	
Period		NIS million
Up to one year	**6,780**	6,564
From one to three years	**3,065**	3,154
From three to five years	**4,114**	4,125
From five to seven years	**2,819**	2,613
Over seven years	**7,171**	6,799
Total	**23,949**	23,255

Distribution by size of credit to the borrower*

	December 31, 2025			December 31, 2024		
Credit range to the borrower	Stated credit risk	Off-balance sheet credit risk	Total credit risk**	Stated credit risk	Off-balance sheet credit risk	Total credit risk**
NIS thousands			NIS million			NIS million
Up to 10	**173**	**546**	**719**	208	562	770
From 10 to 20	**412**	**1,076**	**1,488**	425	1,092	1,517
From 20 to 40	**1,132**	**2,654**	**3,786**	1,160	2,692	3,852
From 40 to 80	**2,778**	**4,758**	**7,536**	2,826	4,745	7,571
From 80 to 150	**4,967**	**4,681**	**9,648**	5,110	4,643	9,753
From 150 to 300	**7,758**	**3,169**	**10,927**	7,309	3,063	10,372
Over 300	**6,729**	**1,368**	**8,097**	6,217	1,279	7,496
Total	**23,949**	**18,252**	**42,201**	23,255	18,076	41,331

* 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 housing loans.

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

	Balance sheet credit risk	
	December 31, 2025	December 31, 2024
Type of credit		NIS million
Current account	**1,604**	1,522
Credit card	**4,647**	4,508
Credit carrying variable interest	**16,886**	16,445
Credit carrying fixed interest	**812**	780
Total	**23,949**	23,255

Description of operations

A. The underwriting of credit to private individuals

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

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

B. The manner of supervising and monitoring risk characteristics

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

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

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

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

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

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

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

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

Construction and real estate sector risks

The Bank adopts a measured credit policy, approved by the Board of Directors, which is examined every year and is revised in accordance with changes in conditions in the country, in the real estate sector, changes in regulation (such as: directives of the Supervisor of Banks and government resolutions and programs) etc. The said policy is expressed in the examination of the financing ratio, determination of different limitations, conducting sensitivity analysis with respect to financing of construction projects, examination of the ratio of the borrower's equity and requirement for early sales in order to reduce the risk to the extent possible.

Moreover, the Bank has adopted a specific policy in respect of the different lines of operation in the real estate and construction field, including the financing of housing construction, financing of income producing property construction, land financing, as well as financing of construction of income producing offices, commercial and industrial properties.

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

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

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

The Bank has several tools to identify problem debt, as follows: the initial repayment source test, problem debt and debt in default early detection and resolution systems, a system to rate and detect customers who exhibit negative symptoms and adding them to the watchlist. In addition, regular tests are carried out to identify problem debt or customers with negative indications that suggest a likelihood of becoming problematic, both in the first line of defense (credit supervision) and the second line. Moreover, sample borrower examinations are carried out in the second line of defense to identify problematic customers (who are not identified by the first line of defense during routine operations) early on. Moreover, the credit risk in material credit exposures is evaluated with a written expert report, independently of the entities authorizing credit exposures.

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

In light of the intensified risk in the residential construction and real estate, the Bank of Israel published on April 6, 2025, an update to Proper Conduct of Banking Management No. 203 and 329 (provisional instruction), in the framework of which raised the demand for capital allocation of banks, in respect of projects with high volume of sales promotion (sales, a significant share of return to the entrepreneurs was postponed to the delivery date). In addition, the update limited the ratio of loans subsidized by constructors to 10% of total housing loans extensions in calendar quarter.

The Bank implements the provisional instruction and performs follow-up on sales promotions carried out by the construction companies in projects accompanied by the Bank. For additional details see legislation and regulatory initiative to the chapter of corporate governance.

Noting the higher risk level in the real estate segment, the Bank has resolved to maintain the additional provision for the real estate operating segment and the additional provision for land financing, according to the established criteria.

Noting the higher risk level of the exposures to the construction and real estate sector, due to, among other things, the high interest environment and the higher economic uncertainty in light of the War – the Bank of Israel circulated a letter on October 15, 2024, on the subject of "Developments in the Construction and Real Estate Sector," demanding a comprehensive analysis of how the developments in the real estate market affect risks in the Bank's real estate portfolio, as set out in the letter and according to the parameters therein, and to take appropriate measures down the road, including setting limits, as necessary.

The Bank is required, moreover, to examine the adequacy of how these effects are reflected in borrower risk assessments, including risk ratings and debt classification. The Bank is also required to examine the adequacy of how the developments are reflected in the allocation of capital pursuant to the Bank's equity and Tier 1 capital objectives.

In the process of complying with the Bank of Israel's requirements, the Bank completed a comprehensive review of the construction projects that the Bank provides construction loans for, in terms of the sales promotions' effect on credit risk, among other things. Moreover, the lands that the Bank had financed and the feasibility that they would progress to the construction stage were examined. In addition, the Bank completed a comprehensive examination of borrowers who had borrowed credit for yield-bearing real estate at amounts exceeding NIS 50 million, emphasizing the LTV, occupancy rate, age of the collateral, and the normalized equity rate, according to the Bank's credit policy.

Following the examination and comprehensive analysis of the different developments' effect, as set out in the abovementioned letter, it was found that risks are managed proportionately and within the risk appetite, with no effect on the risk level.

The bank conducts a current follow-up over all projects financed by the bank, and maintains current contact with all entrepreneurs.

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

	December 31	
	2025	**2024**
		NIS million
Overall credit risk[1]		
Projects not yet completed		
Of which: Open land	**7,035**	5,913
Property under construction	**9,867**	8,641
Completed building projects	**7,516**	6,212
Other[2]	**8,801**	6,756
Total	**33,219**	27,522

(1) Of which: credit secured by residential property in the amount of NIS 14,533 million (a stated balance of NIS 8,875 million and off-balance sheet amount of NIS 5,658 million), credit secured by industrial property in the amount of NIS 2,066 million (a stated balance of NIS 1,297 million and off-balance sheet amount of NIS 769 million), and credit secured by commercial property in the amount of 7,819 million (a stated balance of NIS 7,212 million and off-balance sheet amount of NIS 607 million) (31.12.24 - NIS 11,370 million, NIS 1,916 million and NIS 7,454 million, respectively).

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

Distribution of credit quality in the construction and real estate sector in Israel:

	Balance		change
	December 31,		December 31,
	2025	2024	2024
		NIS million	%
Credit risk in credit granting rating			
Non problematic credit risk	**32,178**	26,698	20.5
Credit risk not in credit granting rating:			
Non problematic credit risk	**526**	301	74.8
Problematic accruing credit risk	**429**	465	(7.7)
Problematic not-accruing credit risk	**86**	58	48.3
Total credit risk not in credit granting rating	**1,041**	824	26.6
Total credit risk	**33,219**	27,522	20.7
Of which: accruing debts in arrears of 90 days or more	**-**	1	
Debts of borrowers in financial difficulties undergone change in terms	**19**	13	46.2

Main indicators of the credit portfolio of the construction and real estate sector in Israel:

	December 31,	December 31,
	2025	2024
Ratio of credit risk in the construction and real estate sector to total credit to the public risk	**16.3%**	15.3%
Balance of provision for credit losses (NIS million)	**465**	438
Ratio of balance of provision for credit losses to total credit to the public risk	**1.4%**	1.6%
Ratio of problematic credit from total credit to the public risk	**1.6%**	1.9%
Ratio of non-rated execution credit from total credit to the public risk	**3.1%**	3.0%

Leveraged Finance

Leveraged finance is defined as credit granted for financing capital transaction by corporations (as defined in the Bank of Israel directive 323) that meets certain criteria, and credit granted to debtors characterized with high finance leverage levels. The Bank considers leveraged finance as credit included in one of the following five classes:

A. Credit for the purpose of a capital transaction, as defined in Bank of Israel directive 323 (acquisition of shares in another corporation, acquisition of operations, purchase of own shares and distribution of capital), which meets certain tests regarding the volume of credit, the relating ratio of finance, and the volume of tangible collateral as determined by the Bank.
B. Credit for different business purposes, which meets certain tests indicating weak financial data, as determined by the Bank.
C. Credit provided for the finance of income producing real estate, which meets certain tests in respect of the volume of credit, the relating ratio of finance, the volume of tangible collateral and the financial data of the borrower as determined by the Bank.
D. Credit for accompanied construction projects purposes, which meets certain tests in respect to the volume of credit, the volume of tangible collateral, and the risk to which the project might expose the Bank, as determined by the Bank.
E. Credit financing the purchase of open land, which meets certain tests relating to the volume of credit, the relating financing ratio, the volume of tangible collateral and the financial data of the borrower as determined by the Bank.

In view of the high-risk characteristics of the leveraged finance, the policy of the Bank states stringent guidelines for underwriting and restrictions on the scope of exposure to leveraged finance.

The criteria according to which the Bank considers credit as leveraged finance were determined conservatively.

As of December 31, 2025, 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 1,173 million, as compared to NIS 666 million at the end of 2024.

Significant exposures to borrower groups

As of December 31, 2025, there is no borrower group which its indebtedness on consolidated basis, after deductions of permissible deduction according to section 5 of Directive 313, exceeds 15% of the bank's capital, calculated according to Proper Conduct of Banking Business Directive concerning measurement and capital adequacy.

MARKET RISK

General

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.

The Bank takes various actions in order to confront the effects of the changes in interest and inflation rates, including the updating of assumptions applied in different model regarding credit and market risk, concluding transactions to manage exposure in the index-linked sector, and adjusting the collateral rates required for activity in the capital market. The Bank takes regular measures to adjust its exposures to the interest, index, and foreign currency rates, as economic and geopolitical events and developments unfold.

The Bank continues to follow the different developments in the macroeconomic situation and takes action, as required.

Risk Appetite

The Bank has a detailed policy for the management of exposure to financial risks. The policy document outlines and details inter alia, overall financial risk appetite and risk appetite segmented by single risks and operating principles.

The risk appetite of the Bank reflects measured readiness to accept financial risks corresponding to careful and measured banking activity, and corresponding to regulatory requirements and to the volume and nature of the Bank. As a general rule, the Bank endeavors to minimize financial exposures accepted by it, and acts towards creating appropriate profitability while accepting measured financial risks.

This concept is well reflected in the policy of the Bank by means of a very wide range of quantitative and measured risk/loss limitations in relation to the equity of the Bank. It is also reflected in close control procedures and work procedures structured within the different control lines.

Supervision and control of market risk exposure management

The Bank employs a suitable network of control, management, supervision, independent control and audit mechanisms with respect to the market risk management process. The managerial and review concept employed by the Bank is to detect, quantify and estimate exposure to market risks and to control the adherence to the restrictions prescribed.

Market risk management is examined and controlled on a current basis by special committees and forums at the Board of Directors, Management and middle-management grades (as detailed in the risk report in the internet website of the Bank).

Reporting of market risk exposures

The Management and the Board of Directors of the Bank receive a variety of reports on exposure to market risks in various cross-sections, containing, inter alia, developments in the risk and in the financial environment and adherence to restrictions. These reports are submitted by management, supervisory and control functions.

Methodology for the estimation of exposure to market risk

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

INTEREST EXPOSURE

General

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

In the month of December 2023, the directive was updated by the Bank of Israel. The new directive, which took effect in the month of July 2025, adopts the Basel regulation IRRBB and determines principals, according to which, the banks are required to manage the interest risk in the banking portfolio and requirements for taking active operations for identification, measurement, monitoring, control and disclosure of the risk.

The Bank examines the interest exposure on a current basis and adjust it in accordance with the Bank’s assessments.

Exposure management

Interest risk exposure is managed by means of examining the average duration of sources and uses and reducing exposure to erosion in fair value as the result of unexpected changes in interest rates, subject to the limits determined by the Board of Directors. In each segment the exposure for unpredicted change in the interest rate for all periods and different interest scenarios is measured, as well as its effect on the potential erosion of the economic value and the accounting profit for 12 months forward. The effect is measured in each of the segments separately, and in all segments together. The Bank’s principal exposure to interest risks is attributed to financing activity in the non-linked shekel segment and in the CPI linked segment, stemming from the characteristics of the investment in those segments, which derive from the range of uses and sources in these segments.

In order to minimize the interest risk in the banking portfolio and as part of its assets and liabilities management, the Bank uses tools including the issue of bonds and activity in derivative financial instruments.

Risk appetite

- The interest risk appetite is conservative, as reflects in the restrictions, and the utilization of the exposure limits is conducted according to the Bank's estimates regarding expected interest rates and the structure of the interest curve in different time horizons and subject to the restrictions defined in the financial risks policy.
- The Bank has series of restrictions on changes in the interest curve and specific restrictions on the extent of interest exposure at the level of the dealing rooms and the interest-risk generating units and restrictions on the maximum erosion in fair value in stress scenario.

Actual exposure on the report date

Interest risk is measured on the basis of assumptions regarding the redemption periods of assets and liabilities. The effect of the early repayment of housing loans and of time deposits having early exit points is also taken into account in risk management.

Non-interest-bearing current accounts have credit balances at a stable amount over time. The Bank bases on specific model and determined that the redemption period of the stable current accounts will be for several years.

Sensitivity analysis to the effect of the exposure in changes in interest based on the fair value of financial instruments

Following are the details on assets and liabilities which are exposed to changes in interest according to their fair value, including sensitivity analysis as to the effect of potential changes in interest rates on the fair value of financial instruments of the Bank and its consolidated subsidiaries, excluding non-financial items, according to accounting rules:

Following are the details of the effect of changes in the interest rate on the fair value of the asset surplus in the segments, the net interest income and non-interest financing income and capital attributed to shareholders of the Bank:

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):

	December 31, 2025			December 31, 2024		
	NIS	**Foreign currency**	**Total**	**NIS**	**Foreign currency**	**Total**
			NIS million			NIS million
Net stated balance[1]	**11,110**	**(262)**	**10,848**	10,619	(293)	10,326
Adjusted fair value, net [1]	**14,573**	**42**	**14,615**	13,286	(87)	13,199
Of which: banking portfolio	**14,132**	**(755)**	**13,377**	11,963	(845)	11,118
Of which: effect of behavioral assumptions[2]	**3,045**	**367**	**3,412**	3,816	314	4,130
Of which: attribution to periods of deposits with no repayment date	**3,057**	**367**	**3,424**	3,454	314	3,768
Of which: effect of early repayment of housing loans	**75**	**-**	**75**	441	-	441

Additional details as to the assumptions used to calculate the adjusted fair value of the financial instruments, see note 32 to the financial statements, except for the attribution to repayment periods of deposits with no repayment date, while in the note, balance sheet balance constitute the assessment of fair value.

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

	December 31, 2025			December 31, 2024		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
			NIS million			NIS million
Parallel changes						
Parallel increase of 1%	**(338)**	**(166)**	**(504)**	(451)	(110)	(561)
Of which: banking portfolio	**(315)**	**(163)**	**(478)**	(444)	(109)	(553)
Of which: effect of behavioral assumptions[2]	**957**	**83**	**1,040**	790	55	845
Of which: attribution to periods of deposits with no repayment date	**684**	**83**	**767**	652	55	707
Of which: effect of early repayment of housing loans	**306**	**-**	**306**	153	-	153
Parallel decrease of 1%	**265**	**182**	**447**	521	118	639
Of which: banking portfolio	**241**	**178**	**419**	515	119	634
Of which: effect of behavioral assumptions[2]	**(1,182)**	**(86)**	**(1,268)**	(854)	(56)	(910)
Of which: attribution to periods of deposits with no repayment date	**(721)**	**(86)**	**(807)**	(687)	(56)	(743)
Of which: effect of early repayment of housing loans	**(483)**	**-**	**(483)**	(183)	-	(183)
Parallel increase of 2%	**(630)**	**(320)**	**(950)**	(848)	(216)	(1,064)
Of which: banking portfolio	**(584)**	**(312)**	**(896)**	(833)	(213)	(1,046)
Parallel decrease of 2%	**602**	**380**	**982**	1,097	242	1,339
Of which: banking portfolio	**553**	**373**	**926**	1,085	243	1,328

Quarterly effect of scenarios of changes in interest rates on adjusted fair value[1] of the Bank and its consolidated companies:

	31.12.25	30.9.25	30.6.25	31.3.25	31.12.24
					NIS million
Parallel increase of 1%	**(504)**	**(657)**	**(712)**	**(599)**	(561)
Parallel decrease of 1%	**447**	**673**	**792**	**662**	639

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

(1) Fair value of financial instruments, excluding non-financial items and after the effect of liability in respect to employees' rights and attribution to periods of deposits with no repayment date. Additional detail as to the assumptions used in the calculation of the adjusted fair value of financial instruments, see note 32 to the financial statements, excluding deposits with no repayment date.

(2) Effect of attribution of deposits with no repayment date, early repayments of housing loans and other behavioral assumptions.

(3) Starting with the second quarter of 2025, the calculation methodology of discounting rate was updated in the item of credit to the public. Comparative data were not restated.

(4) Starting with the second quarter of 2025, the effect of liabilities to employees' rights are calculated on an actuarial basis and presented in net value. No material effect was recorded. Comparative data were not restated.

(5) Starting with the fourth quarter of 2025, an update to the early repayment model of housing loans was performed. The update caused a decline in value of NIS 270 million, an increase in value of NIS 160 million in the scenario of 1% increase and a decrease in value of NIS 210 million in the scenario of 1% decrease. Comparative data were not restated.

(6) As from December 31, 2025 the Bank implements the circular of Supervision of Banks in respect of "disclosure of interest risk and disclosure on liquidity and finance risk".

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

	December 31, 2025			December 31, 2024		
	Interest income	Non-interest income	Total*	Interest income	Non-interest income	Total*
			NIS million			NIS million
Parallel changes						
Parallel increase of 1%	**187**	**(20)**	**167**	5	(11)	(6)
Of which: banking portfolio	**186**	**-**	**186**	-	-	-
Parallel decrease of 1%	**(427)**	**21**	**(406)**	(417)	11	(406)
Of which: banking portfolio	**(426)**	**-**	**(426)**	(412)	-	(412)
Parallel increase of 2%	**476**	**(40)**	**436**	205	(22)	183
Of which: banking portfolio	**475**	**-**	**475**	195	-	195
Parallel decrease of 2%	**(857)**	**42**	**(815)**	(840)	22	(818)
Of which: banking portfolio	**(856)**	**-**	**(856)**	(831)	-	(831)

* After offsetting effects

The sensitivity of income in the table above, was calculated based on several different parameters and assumption, inter alia, use of assumptions regarding change in deposits spreads, transfer of funds from current account to deposits in case of interest raise, as against stability in the case of interest decline.

4. Effect of scenarios of changes in interest rate on equity capital

	December 31, 2025	December 31, 2024
		NIS million
Parallel increase of 1%	**(482)**	(395)
Parallel decrease of 1%	**507**	411

5. Comprehensive exposure of the Bank and consolidated subsidiaries to changes in interest rates as of December 31, 2025

	With demand up to one month	Over one month to three months	Over three months to one year	Over one year to three years	Over three years to five years	Over five years to ten years	Over ten years to twenty years	Over twenty years	Without maturity date
									NIS million
Financial assets *	**182,705**	**19,894**	**19,351**	**15,820**	**13,358**	**10,473**	**5,495**	**1,067**	**72**
Other receivable amounts **	**72,475**	**43,051**	**45,089**	**2,450**	**696**	**723**	**-**	**-**	**-**
Financial liabilities *	**151,639**	**23,501**	**46,376**	**13,755**	**15,962**	**853**	**174**	**1**	**-**
Liabilities in respect of employees' rights	**10**	**59**	**55**	**114**	**111**	**261**	**269**	**73**	**-**
Other payable amounts**	**71,611**	**42,483**	**46,280**	**2,755**	**1,020**	**742**	**-**	**-**	**-**
Exposure to changes in interest rates	**31,920**	**(3,098)**	**(28,271)**	**1,646**	**(3,039)**	**9,340**	**5,052**	**993**	**72**
Additional details of the exposure to changes in the interest rates									
A. According to linkage bases									
Non linked Israeli currency	**32,602**	**(2,541)**	**(29,751)**	**1,150**	**(6,235)**	**5,956**	**3,524**	**656**	**72**
Israeli currency linked to the CPI	**27**	**416**	**1,973**	**1,393**	**1,865**	**1,632**	**1,497**	**337**	**-**
Foreign currency (including linked to foreign currency)	**(709)**	**(973)**	**(493)**	**(897)**	**1,331**	**1,752**	**31**	**-**	**-**
B. Effects on the exposure to changes in the interest rates(1)									
Financial assets, before assumptions	**182,826**	**20,273**	**20,410**	**17,058**	**13,309**	**9,744**	**3,819**	**649**	**72**
Effect of early repayments of housing loans	**(121)**	**(379)**	**(1,059)**	**(1,238)**	**49**	**729**	**1,676**	**418**	**-**
Financial assets	**182,705**	**19,894**	**19,351**	**15,820**	**13,358**	**10,473**	**5,495**	**1,067**	**72**
Financial liabilities before assumptions	**177,972**	**23,657**	**45,415**	**6,357**	**1,383**	**829**	**158**	**1**	**-**
Effect of distribution to periods of deposits with no repayment date	**(25,147)**	**-**	**-**	**7,154**	**14,569**	**-**	**-**	**-**	**-**
Effect of distribution to periods of deposits after the nearest exit point (2)	**(1,186)**	**(156)**	**961**	**244**	**10**	**24**	**16**	**-**	**-**
Financial liabilities	**151,639**	**23,501**	**46,376**	**13,755**	**15,962**	**853**	**174**	**1**	**-**

5. Comprehensive exposure of the Bank and consolidated subsidiaries to changes in interest rates as of December 31, 2025 (continued)

	December 31, 2025[5][4][3]			December 31, 2024		
	Total fair value	Internal rate of return	Effective duration	Total fair value	Internal rate of return	Effective duration
	NIS million	Percent	Years	NIS million	Percent	Years
Financial assets *	**268,235**	**4.20**	**0.79**	239,387	4.53	0.83
Other receivable amounts **	**164,484**		**0.26**	133,549		0.31
Financial liabilities *	**252,261**	**3.65**	**0.54**	225,083	4.30	0.54
Liabilities in respect of employees' rights	**952**		**8.60**	936		7.90
Other payable amounts**	**164,891**		**0.27**	133,718		0.34
Exposure to changes in interest rates	**14,615**			13,199		
Additional details of the exposure to changes in the interest rates						
A. According to linkage bases						
Non linked Israeli currency	**5,433**		***0.50**	4,469		***0.51
Israeli currency linked to the CPI	**9,140**		***2.36**	8,817		***2.67
Foreign currency (including linked to foreign currency)	**42**		***0.36**	(87)		***0.40
B. Effects on the exposure to changes in the interest rates[1]						
Financial assets, before assumptions	**268,160**	**4.24**	**0.80**	238,946	4.59	0.90
Effect of early repayments of housing loans	**75**	**(0.05)**	**(0.65)**	441	(0.08)	(0.55)
Financial assets	**268,235**	**4.20**	**0.79**	239,387	4.53	0.83
Financial liabilities before assumptions	**255,772**	**3.00**	**0.27**	228,930	3.86	0.23
Effect of distribution to periods of deposits with no repayment date	**(3,424)**	**3.98**	**3.46**	(3,768)	0.09	3.68
Effect of distribution to periods of deposits after the nearest exit point [2]	**(87)**	**0.01**	**(0.06)**	(79)	0.01	0.05
Financial liabilities	**252,261**	**3.65**	**0.54**	225,083	4.30	0.54

General remarks:

.1 Additional details of the exposure to changes in the interest rates, in each segment, of assets and liabilities, according to the various balance sheet items, after behavioral assumptions, will be handed upon request.

.2 In this table, the data in respect of period, represent the fair value of expected cashflows of each financial instrument (except or non-monetary items) and of other receivable and payable amounts and of liabilities in respect of employees' rights, as they are discounted according to the interest rates discounting them to the fair value included in respect of the financial instrument in Note 32 in the financial statements, consistent with the assumptions, according to which, the fair value of the financial instrument was calculated, and after the effect of behavioral assumptions on the exposure to changes in the interest rates, as explained in footnote 3 below.
For additional details in respect of the assumptions used to calculate the fair value of the financial instruments (except behavioral assumptions in respect of deposits with no repayment date), see Note 32 to the financial statements.

.3 The present value of cashflows derived from financial instruments, including deposits with no repayment date, was calculated after the effect of behavioral assumptions in respect of repayment periods used by the Bank for the management of interest risks.

.4 Internal rate of return discounts the expected cashflows from financial instrument to the fair value included in respect of it in this table.

.5 Effective duration of a group of financial instruments constitutes approximation to the percentage change in the fair value of the group of financial instruments which will be caused as a result of a small change (an increase of 0.1%) in the internal rate of return of each of the financial instruments.

Specific remarks:

* Except for balance sheet balances of derivative financial instruments, fair value of off balance sheet instruments and fair value of complex instruments.

** Amounts to receive and pay in respect of fair value of derivative, complex, and off balance sheet financial instruments. Complex financial instruments were classified to periods according to the effective duration of each instrument, since it is not possible reflect their exposure to interest rates by classification according to periods to maturity of cashflows or to the nearest interest renewal.

*** Weighted average according to fair value of effective duration.

(1) The effective duration and the internal rate of return relate to the effect of each model on the balance sheet for which the model applies.

(2) The balance of fair value of total deposits with exit points as of December 31, 2025 amount to NIS 25.5 billion (31.12.2024- NIS 25.3 billion).

(3) Starting with the second quarter of 2025, the calculation methodology of discounting rate was updated in the item of credit to the public. Comparative data were not restated.

(4) Starting with the second quarter of 2025, the effect of the liability to employees' rights is measured on actuarial basis and presented in net value. No material affect was recorded on the fair value. Comparative data were not restated.

(5) As from the fourth quarter of 2025, an update to the early repayment of housing loans model, was performed. The update resulted in a decrease of value of NIS 270 million. Comparative data were not restated.

Basis exposure

General

Basis exposure is created as a result of unmatching in timing, in the basis of measurement and the investment amount with or without hedging activities.

Since capital is defined as a non-linked shekel source under accounting principles, the investment of capital in a segment other than the non-linked shekel segment is defined as basis risk exposure.

Exposure management

- Management of the basis risks and the investment of capital in the different linkage segments is based on current assessments and forecasts by various management entities at the Finance Department of the Resources Division regarding anticipated developments in the money and capital markets.
- The composition of the investment of capital in the different linkage segments is managed on a current basis subject to the restrictions, and on the basis of forecasts regarding the relevant market variables, while exploiting price differences between the cost of sources and the yield on uses in the different linkage segments and the feasibility of long or short positions in each and every segment of activity.
- In its linkage base management, the Bank uses, inter alia, derivative financial instruments as a means of neutralizing the exposure to linkage basis and interest risks.

Risk appetite

- The Board of Directors of the Bank has determined restrictions on the permitted positions (surplus or deficit) in assets and liabilities in the different linkage segments.
- In addition, Management of the Bank has prescribed individual restrictions on the extent of basis risk exposure at the level of the dealing rooms and the units that generate basis risks.

Actual basis exposure

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

	Actual basis exposure		% of active capital	
	December 31,		December 31,	
	2025	**2024**	**2025**	**2024**
Non-linked local currency	**2,051**	1,530	**14**	11
CPI-linked local currency	**9,423**	9,297	**62**	66
Foreign currency and foreign currency linked	**(262)**	(293)	**(2)**	(2)

Sensitivity of capital to changes in the exchange rate

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

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

Set out below is the sensitivity of the Bank's capital to theoretical changes in the exchange rates of the principal currencies as of December 31, 2025 (NIS millions).

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

Percentage change in exchange rate	Dollar	Euro
5% decrease	**(10)**	**2**
10% decrease	**(19)**	**1**
5% increase	**15**	**(3)**
10% increase	**33**	**(7)**

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 the strengthening of the currency in question against the shekel.

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

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

Sensitivity of capital to changes in the CPI

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

The Bank is not exposed in its 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 December 31, 2025 (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	**(310)**
3% increase	**311**

OPTION RISK

General

Option risk is the risk of a loss deriving from changes in the parameters that affect the value of options, including standard deviations.

Risk appetite

- The Bank's foreign currency dealing room trades in a variety of financial products, including options. Apart from the restrictions set on the amount of basis and interest-rate exposure, and in view of the sensitivity of options' economic value to changes in linkage bases, interest rates and specially to changes in the volatility of the underlying assets, Management has determined additional restrictions for the dealing room's activity in options.
- Restrictions have been determined with respect to activity permitted in options in terms of maximum loss under defined scenarios. The scenarios refer to simultaneous changes in the exchange rate and in the volatility of the underlying assets. Restrictions have also been determined on the maximum changes in the value of the options portfolio in terms of sensitivity indices (GREEKS), and the maximum erosion in the fair value in extreme situations.

Exposure management

Tools for the management of exposure to options risks include a Vol-Spot sensitivity matrix, which presents the exposure deriving from a combination of scenarios on the exchange rate and volatility. Also used is an RHO interest-rate curve risk exposure scenario, which examines the change in the value of the position in the event of 1% fluctuations in the interest curve. In addition, the Bank uses a Weighted Vega model for the management of exposure to volatility risk.

Management of risks in derivative financial instruments

General

The Bank operates in a variety of derivative financial instruments as part of risk management policy (base, currency and interest exposures), and as a service to its customers. These instruments include options (including option tracks), which is the area of activity with the higher element of market risk. In this respect, the Bank is mainly active in options on the exchange rates of a number of foreign currencies against the shekel.

Risk appetite

The Bank has a policy for the management of risks in derivative instruments, including restrictions on activity volumes of option tracks containing "implied" options, and the level of the maximum loss under certain scenarios in respect of the options in which the Bank acts as a market maker.

Investment in various derivative instrument is carried out after the measurement of each instrument and its adjustments to the financial needs of the Bank and its ability to operate in an optimal manner, as well as its ability to monitor the risk attached to it, both in the market risk and in the credit risk for transactions were the Bank acts on behalf of its customers.

Foreign currency dealing room

The foreign currency dealing room trades in a wide variety of foreign currency financial instruments. In addition, it was appointed by the Treasury as a chief market maker in local currency government bonds. The foreign currency dealing room operates in the currency market through spot transactions, interest transactions, OTC options, local currency government bonds and FX/NIS options.

The foreign currency dealing room acts in the main currencies, however, the main activity is in Dollar/Shekel.

The exposure created in the base and in the interest rate as a result of this activity is included within the restrictions approved by the Board of Directors for base and interest exposures.

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

	December 31, 2025			December 31, 2024		
	Derivatives not for trading	Derivatives for trading	Total	Derivatives not for trading	Derivatives for trading	Total
Hedge transactions:						
Interest rate contracts	**1,412**	**-**	**1,412**	1,572	-	1,572
Other transactions:						
Interest rate contracts	**893**	**14,657**	**15,550**	1,409	19,033	20,442
Foreign currency contracts	**32,318**	**120,283**	**152,601**	22,481	94,590	117,071
Contracts on shares, share indices, commodities and other contracts	**-**	**154,423**	**154,423**	1	75,994	75,995
Total derivative financial instruments	**34,623**	**289,363**	**323,986**	25,463	189,617	215,080

Supervision and control of derivative instrument risk management

The Bank's activity in derivative financial instruments is controlled and supervised by the lines of defense and the exposures are reported in the risk report document.

SHARE PRICE RISK

Risk review and the way of managing it

The investment in shares and instruments reflecting share risk, is designated to improve the risks diversification and to vary the sources of income for the medium-long range in investing the free capital. The investment is carried out as a rule in Israeli shares traded in the TA 125 and leading share indices in Israel and abroad, while performing due diligence on the worthwhileness of the investment prior to the acquisition.

Risk appetite

In addition to the regulatory restrictions regarding the volume of investment permitted to banking corporation by law, including in non-financial entities, the Board of Directors defined risk appetite for activity in shares. The Board of Directors established restrictions on the amount of investment, the mix of the investment- including restriction on the currency exposure and economic segments restrictions.

LIQUIDITY RISK

General

Liquidity risk is the risk that the bank will have difficulty meeting its obligations due to unexpected withdrawals of deposits from the public, increased utilization of credit lines and uncertainty regarding the availability of sources and other unexpected liabilities, including a sharp decline in the value of liquid assets available to the Bank. The materialization of the risk may cause the Bank shortage of liquid funds, which will force the Bank to sell assets at prices lower than market prices and/or raise sources at prices higher than market prices, and in extreme cases may even pose a threat to the stability of the Bank.
The Bank maintains high liquidity balances in foreign currency and shekels, compared to balances in a normal business situation, beyond regulatory and internal limitations, as long as the high level of uncertainty continues. The Bank's liquidity level will be determined in accordance with the stability of the financial markets, economic activity, the level of risk on stock exchanges in Israel and around the world, fiscal policy and the risk premium of the economy. The Bank continues to closely monitor and control liquidity ratios on an ongoing basis.

Liquidity Coverage Ratio in accordance with Proper Conduct of Banking Business Directive 221 (LCR)

The Liquidity Coverage Ratio is calculated in accordance with Proper Conduct of Banking Business Directive 221, which is based on the recommendations of the Basel Committee. The ratio is a standard designed to improve the resilience of the liquidity risk profile of banking corporations in the short term, by requiring that banking corporations to hold an adequate amount of unencumbered high quality liquid assets (HQLA), which can be quickly and easily converted into cash in private markets, to meet liquidity needs in a stress scenario lasting 30 calendar days.
The standard defines a specific framework for calculating the liquidity coverage ratio with the aim of creating uniformity at an international level.

The liquidity coverage ratio - LCR, contains two components:
(a) The value of the amount of high-quality liquid assets under stress conditions (HQLA).
(b) Total net cash outflow over the next 30 calendar days, calculated according to the scenario parameters.
The ratio is calculated as the proportion of high-quality liquid assets held out of total net cash outflows over the next 30 calendar days, and starting in January 2017, the minimum supervisory requirement for the liquidity coverage ratio, both at the Bank level and at the Banking Group level, is 100%.
However, in times of financial stress, a banking corporation may fall below these minimum requirements, but must immediately report the deviation to the Supervisor of Banks, and in certain cases, accompanied by a plan to close the liquidity gap that has arisen.
As part of its financial risk management policy, the Bank's Board of Directors adopted an internal limit that is stricter than the regulatory requirement for a liquidity coverage ratio, at a rate 5% higher than the minimum supervisory requirement, for both the Bank and the Group on a consolidated basis, in order to maintain an additional reserve for compliance with liquidity scenarios beyond the standard 30-day stress scenario.
The bank meets all regulatory and internal liquidity risk limits for 2025.

Below is the liquidity coverage ratio for the consolidated and Bank:

	For the three months ended December 31,	
	2025	**2024**
		%
Liquidity coverage ratio in consolidated data	**129%**	165%
Liquidity coverage ratio in bank data	**126%**	166%
Minimum liquidity coverage ratio required by the Supervisor of Banks	**100%**	100%

Below are the components of the ratio on a consolidated basis:

	For the three months ended December 31,	
	2025	**2024**
Total high-quality liquid assets (in millions of NIS)	**101,452**	87,721
Total cash outflows (in millions of NIS)	**112,242**	78,527
Total cash inflows (in millions of NIS)	**33,335**	25,484
Total cash outflows, net (in millions of NIS)	**78,907**	53,042
Liquidity coverage ratio (in percentages)	**129%**	165%

In the fourth quarter of 2025, the liquidity coverage ratio of 129% was significantly higher than the regulatory requirement (100%). The decrease in the liquidity coverage ratio compared to the fourth quarter of 2024 was primarily due to an increase in balance of credit to the public, an increase in short-term deposits from the public from financial customers, and a decrease in deposits from retail customers and small businesses. For further details, see "Sources of Funding", below.

Net Stable Funding Ratio (NSFR)

On June 21, 2021, the Supervisor of Banks published Proper Conduct of Banking Business Directive 222 on the subject of the Net Stable Funding Ratio - NSFR, which determines the method of calculating the ratio, as stipulated in the Basel 3 reform of the Basel Committee (BCBS). The purpose of the ratio is to improve the resilience of the liquidity risk profile of banking corporations in the long term, by requiring banking corporations to maintain a stable funding profile, in accordance with the composition of their balance sheet assets and their off-balance sheet activities. The ratio limits the over-reliance of banking corporations on short-term wholesale funding.

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

Available stable funding is defined as the portion of capital and liabilities that can be relied upon over the time horizon considered in the net stable funding ratio, which spans one year. The amount of stable funding required is a function of the liquidity characteristics and remaining maturities of the various assets held by the bank, as well as of off-balance sheet exposures.

As part of the financial risk management policy, the Bank's Board of Directors adopted an internal limit, which is stricter than the regulatory requirement for a net stable funding ratio, at a rate 5% higher than the minimum supervisory requirement, for both the Bank and the Group on a consolidated basis, in order to maintain an additional reserve to meet liquidity scenarios.

Set out below is the net stable financing ratio:

	December 31, 2025	**December 31, 2024**
		in percentages
Net stable financing ratio (consolidated)	**127%**	140%
Minimal net stable financing ratio required by the Supervisor of Banks	**100%**	100%

As of December 31, 2025, the stable funding ratio of 127% was significantly higher than the regulatory requirement (100%), compared to a ratio of 140% on December 31, 2024. The decrease was primarily due to an increase in the balance of credit to the public, an increase in short-term public deposits from institutional customers, and a decrease in deposits from retail customers and small businesses.

Risk management policy

The Bank implements a comprehensive policy for managing liquidity risk in Israeli currency and foreign currency and foreign currency-linked, at the level of the Group, the Bank and the banking subsidiary, in accordance with the requirements of Proper Conduct of Banking Business Directives 342 and 221.

The Bank's policy is to maintain a sufficient liquidity cushion over time, in a manner that will enable the Bank to meet its obligations even in material stress scenarios, and includes, among other things, limitations on liquidity coverage ratios and minimum liquidity ratios in a normal scenario and in extreme scenarios, and reference to the measurement, control and monitoring tools and reporting mechanisms that must be maintained as part of ongoing liquidity risk management.
The Bank has also established a methodology that will assist in identifying a liquidity crisis in the Bank, in order to ensure the Bank's ability to meet the challenges arising from ongoing business management, and those that may arise during stressful events in the financial markets.

Risk appetite

The Bank and the Group work to maintain an adequate amount of liquid assets, while managing their uses in a manner that will generate income for the Bank. The Bank sees great importance in conservative but active management of liquidity in the Bank. The Bank and the Group's risk appetite is low and is reflected in the structure of assets and liabilities, the many risk measurement and monitoring tools assigned to this matter, and the management and control systems that are responsible for managing this risk.

Supervision and control of Liquidity risk exposure management

The Bank's control approach is to identify, quantify and estimate risks and monitor compliance with the limits set in the procedures on an ongoing basis, both by exposure managers and by independent control and audit entities. The Bank has also set targets for maintaining a substantial foreign currency cash cushion, which will enable the Bank with a high probability to finance increased liquidity needs, resulting from exceptional demand and supply situations in the financial markets. The management of exposure to liquidity risks is examined and monitored on an ongoing basis by dedicated committees and forums at the Board of Directors and Bank management levels in the first, second and third lines of defense.

Reporting on exposure to liquidity risks

- Daily liquidity risk report in shekels and foreign currency.
- Reporting on liquidity risk exposures in shekels and foreign exchange, compared to the frameworks and activity limits set by the Board of Directors and the authority for their management, is provided three times a week, within the framework of the Current Affairs Committee, headed by the President & CEO or the Financial Risk Manager.
- Centralized reporting on exposures in the quarterly risk document and ongoing reporting as needed.

Management of liquidity risk on a Group basis

The banking subsidiary, Massad, implements an independent policy for managing liquidity in the short and long term, while strictly adhering to the instructions of the regulatory authorities, and in accordance with the nature of its activities and its liquidity needs. In addition, the subsidiary meets its own liquidity coverage ratio.
There are no other significant prohibitions or restrictions on transferring funds within the Group beyond the restrictions applicable to carrying out transactions of any kind.

Liquidity status and composition of assets and liabilities

Liquid assets

The Bank holds a cushion of liquid assets, in a volume designed to enable compliance with expected outflows in accordance with the contractual, daily and monthly flow gap, and with unexpected flows, under normal conditions and stress scenarios. The main liquid assets in the Group, which include cash, deposits with Bank of Israel (current accounts and monetary deposits), deposits with banks and marketable securities, amounted to NIS 119.2 billion as of December 31, 2025, compared to NIS 109.3 billion at the end of 2024. Of this, the balance of cash, deposits with Bank of Israel and deposits with banks amounted to NIS 83.8 billion, and investments in securities, mainly in Israeli and US government bonds, amounted to NIS 35.4 billion (approximately 88% of the total securities portfolio). For the purposes of liquidity risk management, the Bank

calculates safety factors on these assets, in accordance with Proper Conduct of Banking Business Directive 221 - Liquidity Coverage Ratio and performs various stress scenarios, in which it is examined whether the liquid assets will be sufficient to cover cash outflows, based on future cash flows. In 2025, the Bank met all regulatory and internal liquidity risk limits. For detailed information on the liquidity coverage ratio, see the Risk Report on the Bank's website.

As detailed in Note 31 to the financial statements, the Bank has excess liabilities over assets in the short term, resulting from the nature of the banking activity. According to the aforementioned Note, the total net cash outflow (excluding inflow from liquid assets) is approximately NIS 102.4 billion for a period of up to one day and approximately NIS 148.7 billion for a period of up to one month. However, in the ordinary course of business and even in stress scenarios that are regularly examined, the recycling rates of public deposits, with an emphasis on retail deposits, are high, and the excess of liquid assets, as stated above, allows the Bank flexibility in managing the cash flow arising from current activities and is sufficient to meet short-term cash needs, including the internal limitations in the stress scenarios and the liquidity coverage ratio. In the most severe internal scenario, the behavioral assumptions are increased withdrawal of deposits and a decrease in credit repayments.

As part of liquidity and funding risk management, the Bank monitors, among other things, the pace of providing credit and other uses, and maturity forecasts for deposits, bonds and deferred debt notes, and plans in advance the raising of resources.

Encumbered assets

Below are the balances of pledged and unpledged assets, at the Group level:

	As of December 31, 2025			
	Pledged assets	**Of which: assets used as collateral for a central Bank**	**Unpledged assets**	**Total**
				NIS million
Cash and deposits with Banks	**3,370**	**-**	**80,406**	**83,776**
Securities	**5,409**	**217**	**32,857**	**38,266**
Securities borrowed or purchased as part of a buy-back agreement	**355**	**-**	**-**	**355**
Credit to the public, net	**1,716**	**-**	**144,658**	**146,374**
Credit to governments	**-**	**-**	**1,607**	**1,607**
Other	**-**	**-**	**7,455**	**7,455**
Total assets	**10,850**	**217**	**266,983**	**277,833**

	As of December 31, 2024			
	Pledged assets	**Of which: assets used as collateral for a central Bank**	**Unpledged assets**	**Total**
				NIS million
Cash and deposits with Banks	1,740	-	75,435	77,175
Securities	3,573	1,014	30,823	34,396
Securities borrowed or purchased as part of a buy-back agreement	70	-	-	70
Credit to the public, net	1,592	-	127,824	129,416
Credit to governments	-	-	1,496	1,496
Other	-	-	6,010	6,010
Total assets	6,975	1,014	241,588	248,563

The Bank pledges financial assets for various activities. The majority of the pledged assets are against the Bank's customers' activities in securities and derivatives, where in respect of a part of which, customers transfer assets pledged to the Bank. The Bank also operates in derivatives and is required to provide collateral at various clearinghouses for this activity.
The balance of cash and deposits at Bank of Israel (current accounts and monetary deposits) as of December 31, 2025, stood at approximately NIS 79 billion, compared to NIS 73 billion at the end of 2024. The Bank has a balance of liquid assets that can be pledged to Bank of Israel for the purpose of receiving an immediate monetary loan, in addition to deposits deposited with Bank of Israel, such as bonds of the Israeli government and foreign governments and securities of companies, according to certain criteria. In addition, the Bank uses repurchase and resale activities against securities pledges.

Emergency plan

In accordance with Bank of Israel's directives, the Bank has defined a contingency plan to handle a liquidity crisis (Contingency Funding Plan - CFP). The purpose of the plan is to define the actions required in managing liquidity risks to protect depositors, debtors and shareholders, and to determine a methodology that will assist in identifying a liquidity crisis in the Bank. The plan specifies criteria for its operation, possible stress scenarios, risk monitoring and monitoring of indicators for early identification of liquidity pressures, areas of responsibility and authority of officials, the manner of response and reporting, and conduct with internal and external parties. In addition, the Bank periodically conducts an emergency exercise that simulates an extreme scenario that also affects the liquidity situation, and examines the Bank's functioning and the implementation of the emergency plan.

Bank rating by rating companies

In 2025, the rating agencies did not change the Bank's rating and some of them recently raised the Bank's rating horizon. For further details, see "Bank Rating by Rating Agencies", above.

Risk and financing strategy

Financing risk is the risk of a shortage of financing sources and may arise, among other things, from a funding structure that is not sufficiently stable in the long term to serve the planned uses. This risk is managed as part of liquidity risk management.
The bank continuously monitors the scope and concentration of sources according to various criteria, such as: the size and life of the deposit, dependence on large depositors, and sets goals and limits for the scope of large deposits and the mix of sources in general.
The Bank and the Group focus on raising deposits according to the type of customer and the length of the deposit, and to this end, they develop various deposit products that respond to customers' needs and enable them to achieve relatively high returns on the one hand, as well as to diversify and reduce liquidity risk on the other.
The Bank strives for continuous improvement in the mix of sources, in accordance with the Bank's needs and goals in raising stable sources and over long periods of time.
The Bank and the Group issue long-term debt from time to time, in accordance with liquidity and other needs.

Sources of funding

The Bank's main sources of funding include short-, medium- and long-term public deposits, and they constitute approximately 93% of total financial liabilities, excluding derivatives, as of December 31, 2025. The Bank has a policy for raising diverse and stable sources, while emphasizing raising sources for long periods of time, from a variety of customer segments and in different currencies.
Shekel sources are based primarily on retail customers, business customers, and institutional customers.
The composition of foreign currency funding sources is similar to the composition of shekel sources, and in addition, the bank raises additional sources through financial instruments, such as REPO transactions, FX SWAP transactions, etc.

Deposits from institutional and business customers are more volatile than deposits from retail customers and the bank holds a larger volume of liquid assets against them.

Public deposits from households and small businesses as of December 31, 2025, constitute approximately 46.2% of total public deposits.

The contractual period of the deposits (including credit balances on current account) is short and 87% of the cash flow according to the contractual maturity date is shorter than three months, however, these deposits are usually renewed and remain over time.

In addition, the Bank Group raises funds through the issuance of commercial papers, bonds and subordinated debt notes. In 2025, the Bank Group issued approximately NIS 4.1 billion for repayment periods of between one and three years.

Bonds and deferred debt notes as of December 31, 2025 amounted to NIS 6,791 million, compared to NIS 4,479 million at the end of 2024, an increase of 51.6%

The ratio of public deposits to credit to the public, net, as of December 31, 2025, is 162.9%, compared to 165.9% at the end of 2024.

As of December 31, 2025, public deposits, bonds and deferred debt notes amounted to approximately NIS 245.3 billion, compared to NIS 219.2 billion at the end of 2024, an increase of approximately NIS 26 billion.

For information regarding the breakdown of assets and liabilities by currency and by repayment period, see Note 31 to the financial statements.

Balance of deposits from the public(1) and average interest rate by supervisory operating segments:

	2025			2024		
	Balance at 31.12.25	**Average balance**	**Average interest rate**	**Balance at 31.12.24**	**Average balance**	**Average interest rate**
		NIS million	%		NIS million	%
Large business	**32,879**	**23,331**	**4.1**	24,014	19,828	3.8
Medium business	**6,968**	**6,356**	**2.9**	6,566	6,325	3.1
Small and minute business	**25,206**	**24,951**	**2.5**	26,553	26,659	2.6
Household	**68,328**	**69,977**	**2.1**	72,216	73,087	2.2
Private banking	**11,760**	**11,728**	**3.5**	12,449	12,089	3.8
Institutional entities	**93,368**	**90,271**	**3.2**	72,957	64,729	3.5
Total	**238,509**	**226,614**	**2.9**	214,755	202,717	3.0

(1) Including non-bearing interest deposits.

Change in the mix of sources between operating segments in 2025

In 2025, there was an increase in the volume of public deposits from institutional bodies and large businesses. On the other hand, there was a decrease in the volume of public deposits from retailers and small and minute businesses. The change in the mix as mentioned, led to a decrease in the financial margin from deposit-taking activities.

Total deposit balance of the three largest depositors groups:

	December 31, 2025	**December 31, 2024**
		NIS million
1	**9,721**	5,789
2	**8,548**	5,112
3	**4,862**	2,986

The ratio of total deposits of the three large depositors groups to the total amount of public deposits as of December 31, 2025, was approximately 9.7%, compared to 6.5% at the end of 2024.

FINANCING RISK

General

Financing risk is the risk of shortage in financing sources and might be deriving from an unstable structure of sources in the long run to cover the anticipated uses.

The Bank has diversified stable financing sources, mainly from deposits from private and business customers, long term deposits from financial institutions, as well as issuance of bonds and subordinated capital notes. In addition, the Bank uses other tools to raise cash, especially in the forex market, to address liquidity needs even in stress test scenarios.

The financing risk at the Bank is managed as part of the liquidity risk management, by imposing limitations and targeting the concentration of the financing sources, and reducing the dependence on material counter parties.

Part of the monitoring of this risk is carried out by monitoring of indicators in respect of the structure and concentration of the sources on a current basis.

OPERATIONAL RISK

General

According to the definition of Proper Conduct of Banking Business Regulations No. 350, operational risk is the risk of loss resulting from the impropriety or failure of internal processes, from individuals or systems or resulting from external events. The definition includes legal risk, fraud and embezzlement risks, information technology, data protection and cyber risks and business continuity, but does not include strategic risk or reputation risk. (The various aspects of legal risk exposure and management are discussed extensively in a separate section).

Operational risks comprise an integral part of the overall risk layout relating to the processes of the Bank, since operational risks are structured within all types of business operations, and work procedures at the Bank, and in the cross-processes and supporting systems.

Risk management is conducted with a view of evaluating and monitoring the operational risks relating to the processes of the Bank, including embezzlement, fraud and unethical behavior, minimizing such risks and reducing the respecting monetary damage, while considering the cost against risk reduction.

Policy

The Board of Directors of the Bank has prescribed an overall and comprehensive policy for the management of operational risks, in accordance with Proper Conduct of Banking Business Regulations 310 and 350, setting the risk appetite and outlining the control environment, the corporate frameworks and the managerial functions that will be operated for the purpose of managing and minimizing exposure to operational risks at the Bank. The policy also includes reference to a line of risk management processes, from the level of risk identification, assessment, and measurement, reduction and monitoring of the risks.

Exposure management

1. Systems and work procedures

One of the central tools for the mapping and identification of the operational risks and for controlling and supervising these risks is the operational risk survey. The survey includes the mapping and documentation of the business processes and the operational risks and controls regarding these processes, including fraud, embezzlements and unethical behavior, also with respect to the database concerning failure events and audit findings, assessment of risks and their mitigation by implementation of new controls, reinforcement of controls, etc.

The Bank conducts periodical operational risks survey, approved by the Board of Directors. Additional tools include operational risks surveys to systems, as well as, survey for estimation of cyber risks. Furthermore, the Bank conducts, on a current basis, risks management for the identification of risks focal in new products, processes and services at the Bank, in accordance with the policy of risks management in new products, processes and services.
Following the findings of the risk surveys performed, the findings of the internal audit and the drawing of conclusion in respect of failure events, mechanized and other controls are combined in the different activities in the Bank, and improvement and upgrading of work processes is made.
In addition, and as part of the monitoring and control infrastructure, key risk indicators (KRI) for operational risks regarding selected processes have been defined for the early detection of changes in the risk map.

2. Failure event collation

The Bank collates and documents loss events (events that caused or nearly caused a loss/profit, provision for lawsuit) for the purpose of data base for quarterly and annual analysis of trends and risk centers, for presentation to Management and the Board of Directors, for estimating the operational risks in business processes, for verifying estimates made by contents experts, for the drawing of conclusions, for a reexamination and improvement of existing controls, and for updating the risk map and for keeping a history of shortcomings.
The Group also conducts a lesson learning process also in respect of significant external events reported in the media.

3. System for measurement, estimation and management of operational risks

The Bank manages the risks map by means of a joint system for the management of operational risks and compliance risk management, which supports the methodology of management of the operational risks. The central data base of the system includes the mapping and documentation of the risk surveys performed in respect of the processes at the Bank, the recommended controls and the failure events.

Business continuity planning

Bank of Israel directives require the banks to take action in order to assure business continuity in an emergency. In accordance with the Proper Conduct of Banking Business Directive 355 on the subject, the Bank has made the appropriate preparations for disaster recovery and business continuity in the event of emergencies. The Bank makes preparations that are comprised of several layers: formulation of a comprehensive policy document on business continuity, a working framework in respect of business continuity detailing suitable technological infrastructures, compilation and assimilation of comprehensive plans of action and a supporting system of procedures, and exercises simulating emergency situations. The Bank has a group emergency situation room and a group emergency assessment forum under the authority of the Head of the Risk Management Division, who collates this activity at the entire Group. The forum is responsible for applying policy and procedures, and for monitoring the Group's preparations for emergencies, and convenes at least once a quarter. Management and the Board of Directors hold quarterly discussions on business continuity and preparations for emergencies. The Bank upgrades its business continuity planning on an ongoing basis. In this respect, revisions are made of all critical activities and resources required in an emergency, and the emergency scenarios and policy document are updated accordingly.
Throughout the “Swords of Iron” War and Operation “Rising Lion“, the Bank has taken several steps, part of which are existence of specific emergency meetings, operating branches according to a specific designated model, transfer of employees to distant working, etc. The Bank has taken the same steps, mentioned above, also during Operation “Roaring Lion”.

Information technologies risk

The risk of failure in information and/or in information and operational systems of the Bank, as well as inappropriate and insufficient support of the business services and processes required by the Bank in order to realize its business goals. In view of the fact that in recent years the technological environment is developing and dependence on it is even increasing, need has been created for enlarged business and technological flexibility and the need for increasing the use of new technologies. The Bank implements iCloud services as well as platforms based on Artificial Intelligence (AI/Gen AI), in order to facilitate advanced capabilities and innovative business services.

The risk is being managed according to the information technology management policy and in accordance with Proper Conduct of Banking Business directive No. 357. Likewise, in accordance with Proper Conduct of Banking Business Directive No. 301, a Technologies, Innovation and Administration Committee of the Board of Directors is in operation.

Moreover, The Bank acts in accordance with the policy regarding management of new products risk, and in this framework, risk management processes are performed upon the introduction of new systems/technologies.

The assessment of IT risks is carried out on a continuance base in accordance with a methodology, in the level of IT processes and in the level of information systems and infrastructures, of which the Bank is using.

The Bank is preparing to implement Proper Conduct of Banking Business Directive 364 (IT Risk, Data Protection Risk, and Cyber Security Risk Management), which will take effect in the month of May 2026 and will replace former directives.

Risk management in an iCloud environment

The trend of transferring to iCloud environment and intensification of the use of the iCloud, is getting popular among financial organizations over the world, as part of a global trend for the increase of flexibility, availability and operational efficiency.

The Bank applies a policy using iCloud computing within the framework of its information technology management policy, as approved by Management and the Board of Directors. The Bank acts in accordance with Directive 362 in the matter, which determines guidelines and terms required for the use by a banking corporation of the iCloud computing technology, and which emphasizes the need for risk management in respect of each of the uses of iCloud computing technology.

The policy document was updated during 2025.

Data protection risks and cyber defense

Management and Board of Directors of the Bank have prescribed a detailed policy on the matter of data protection policy in accordance with Proper Conduct of Banking Business Directive 357- "Management of Data Protection" and appointed a data protection manager who is in charge of data protection risks management. The Bank performs all the reviews and mapping required to adhere to the Directive. The Bank implements Bank of Israel directives concerning the social media and implements the guidelines of the privacy protection regulations.

In accordance with Proper Conduct of Banking Business Directive 361 concerning management of cyber defense, Management and Board of Directors of each entity in the Group defined the strategy of defending cybernetic attacks and the policy for cyber defense.

The manager of data protection of the Group was also appointed as the cyber defense manager of the Group, in accordance with the Bank of Israel's approval.

Cyber-attacks that target financial institutions in Israel and worldwide and organizations along these institutions' supply chains are carried out with the aim of causing large-scale damage by harming strategic services. The damage expected from such attacks could adversely affect the credibility, propriety and confidentiality of the Bank's data and/or the operative readiness of its systems. This damage could harm the business activity of the Bank and have a direct impact on the activity of its customers.

In order to cope with cyber-attacks, in addition to overall data protection activity, the Bank maintains a specialized, comprehensive network for protecting against such attacks. This defense network includes human aspects, technical devices and processes for reducing the vulnerability of the Bank's infrastructures and the impact on its customers, on the basis of special attack scenarios defined by the Cyber Defense Manager.

The innovation of online banking, use of new technologies, open systems, iCloud applications and Gen AI, increase the probability of materialization of a cyber event. As a result, in order for proper management of cyber risks, the existing framework of management of information technology risks and data protection at the Bank, was expanded and adjusted, to the perception of the threat's space and the required defense abilities. In addition, the monitoring of the risks was intensified and controls and other means are implemented, in accordance to the developments of the threats.

The data protection and cyber defense department conducts cyber drills to check the technological preparedness, the infrastructure preparedness, as well as, simulations for the examination of complex scenarios.

In addition, the methodology for the cyber risks mapping was determined and cyber risks review is conducted.

The Bank implements the guidelines of Proper Conduct of Banking Business Directives 363 - "Management of cyber risks in chain of supply" and 359A - "Outsourcing", which were issued by Bank of Israel, and which relate to the activity of the Bank with its service providers. In addition, the Bank complies with the control requirements of the global SWIFT Company.

Supervision, control and reporting of operational risk management

The Bank maintains a suitable system of mechanisms for the control, management, supervision and audit of the operational risk management process. Operational risk management is examined and reviewed by the Board of Directors, Management and the middle-management grades, as detailed in the risks report at the internet website of the Bank.

ENVIRONMENTAL AND CLIMATE RISKS

General

The risks from exposure to losses in respect of environmental effects, due to costs stemming from exposure to environmental risks (environmental damage- soil contamination, air pollution, water shortage, earthquakes, etc.) and costs stemming from the exposure to climate risks (physical risks- heatwaves, droughts, floods, floodings, etc.), or transitional risks relating to climate changes. These risks have implications in a number of aspects, either directly or indirectly: credit risk, market risk, operational risk, legal risk, compliance risk and reputation risk.

- Direct effect - as a result of costs of environmental hazards, which the Bank may have to bear in respect of direct damage related to climate changes, or a monetary expenditure that might be caused as a result of the adoption of instructions regarding climate and environment policy, technological developments and changes in market preferences.
- Indirect effect - such as on credit risk, which may stem from deterioration in the financial condition of a borrower, following environmental effects and climate changes, inter alia, following noncompliance with relevant statutory environmental requirements, due to the considerable expenditure required for compliance with environmental regulations, or due to a high monetary penalty that may be imposed regarding environmental damage, as well as the materialization of other risks related to environmental risk, such as reputation risk.

The Bank takes action for the identification and management of the environmental risk, emphasizing credit risk, while endeavoring to minimize or avoid risk stemming from environmental effects, which have a potential of damage.

The Bank attributes great importance to the financing of projects/entities contributing to environmental development, such as the financing of renewable energy projects.

Risk management, policy and risk appetite

During 2025, the Bank formulated a climate risk management policy. Also, in the Bank's credit risk policy, which is approved each year, exists a chapter of management of environmental and climate risks. The policy of climate and environmental risks management, defines the methodology and work procedures for the monitoring of environmental risks related to the granting of credit. These procedures include identification of high-risk customers, identification of material risks, assessment of risk level and quality of risk management, as well as, existence of controls on environmental high-risk transactions. Exposure of the customer to these risks affect the relevant credit decisions, and is taken into account in the overall considerations for the granting of credit. Furthermore, direct physical risks are embedded in the framework of operational risks management and business continuity.

The Bank is preparing for guarding the operational and business continuity in emergency situations which may be caused, inter alia, by climate risks.

The Bank takes action to identify the material environmental risks relevant to its operations, and to examine the need for setting out a line of key risk indices (KRI's) for each of these risks, while examining the integration of such risk in its general risk appetite.

Likewise, the Bank acts towards expanding the monitoring of environmental risks to which it is exposed, in order to ensure that it is integrated into all frameworks of its operations and in its risk evaluation processes, including frameworks for the management of market, liquidity, operational and reputation risks.

The Bank is currently in the process of setting specific targets and measures in respect of the environmental risk.

The Bank is preparing to implement Proper Conduct of Banking Business Directives 345- "Principals for the effective management of risks in respect of climate", which was published in June 2023 and will take effect in June 2026.

OTHER RISKS

LEGAL RISK

General

Legal risk is included under operational risk, as defined in Proper Conduct of Banking Business Directive 350 ("Comprehensive Legal Risk") and includes, but is not limited to, "exposure to fines and punitive damages as the result of supervisory activity as well as private settlements." The Bank adopts an expanding approach to this definition and includes under legal risk the risk deriving from failure to observe legal directives, including regulatory directives, the risk of a loss resulting from the inability to legally enforce an agreement, risks deriving from activity without legal backing/legal advice vis-à-vis the customer, suppliers and/or other parties, risks involved in legal proceedings connected to the Bank and less than optimal management of them.

Risk appetite

The Bank adopts a conservative policy of a low-risk appetite with respect to the conclusion of legal agreements and commitments, and carries out its business activity with suitable legal assistance and support, with strict insistence on compliance to all legislative and regulatory directives and the restrictions and obligations derived from them. Without detracting from the aforesaid, the Bank adopts a policy denying any conscious action the result of which may lead to a criminal charge or to criminal or administrative sanctions against the Bank or against any of its Officers, and also adopts a policy of zero tolerance in all matters concerning risk resulting from the violations of the provisions of law which constitute a criminal offense or an administrative offense.

Policy and exposure management

The Bank operates in accordance with a legal risk management policy, detailed in this respect are legal risk and ways of identifying, mapping and minimizing it.

The Bank's Legal Department regularly monitors developments in legislation, regulation and in court rulings which could affect the current activity of the Bank, and provides consultation, back-up and legal support to the Bank and its different units. The Bank endeavors to minimize risks on the basis of these developments and their implications.

In addition, the legal department conducts, as needed, updates in the legal documents used by the Bank, in framework agreements to which the Bank is a party and legal opinions, which are the basis for contracts and/or guidelines to different activities.

The legal department also acts to identify legal risks in advance, including by means of examination of any new product or activity, compiling all of the documents associated with that product/service or activity in order to minimize the legal risk involved as far as possible.

The Bank's procedures and ongoing training on the implementation thereof take into account the legal aspects of the Bank's operations.

The periodic review of operational risks includes an examination of the activities of the Legal Department. Risks identified are assessed, measures for mitigating them are stipulated and lessons are learned to prevent any recurrences.

Reporting on legal risk exposure

In the Bank exists an array of periodical and immediate reports in respect of the legal risk. The exposures to legal risks are also collated and reported in the quarterly Risks Document, which is discussed once every quarter by Management, by the Risk Management Committee of the Board of Director and by the Board of Directors.

Group management of legal risk

The Legal Department operates as a head office unit of the Group for the management of legal risks, and is responsible for defining group legal risk management policy.

Material legal risks at the Group are reported to the Manager of the Legal Department, in both immediate and periodic reports. The Group also maintains mechanisms for coordination regarding relevant legal issues and the current periodic updating of information.

Risk management in the NIS and foreign-currency securities portfolio-market and indebtedness risks

a. The Board of Directors of the Bank have determined in the financial risk policy document detailed policy and risk appetite with respect to the Bank's activity in the foreign-currency and Shekel securities portfolio, and have also determined investment restrictions and guidelines from the credit aspects and from the aspect of exposure to counter-party risks and to market risks, interest and liquidity. This policy is examined by the Board of Directors and its committees at least once a year, and in a more dynamic manner on the basis of developments in the financial markets that may affect the Bank's exposures. According to the policy meticulous structural separation exists in the Bank.

b. The Bank invests only in the bonds of companies that have, as of the purchase date, a minimal investment rating as set in the policy of management of financial risks, and this after examining the quality of the issuer's credit, the market risks inherent in the investment and the bonds' liquidity.

c. Once an investment is made and as part of the management of the risks in the foreign currency and Shekel securities portfolio, the Bank monitors the macroeconomic and sector-specific developments relevant to its investments.

d. As part of the risk management supervision and control mechanisms, the Bank has devised a format for reporting on the nature and the extent of the positions in the securities portfolio managed. Reports are sent to the decision-making entities and to the control entities.

   For details of the securities portfolio, see the section above on the composition and development of assets, liabilities, capital and capital adequacy, and Note 12 to the financial statements.

COMPLIANCE RISK

General

- Compliance risk is the risk of imposition of legal or regulatory sanctions, of a material financial loss or damage to image which a bank may sustain as a result of violation of compliance rules.
- Proper Conduct of Banking Business Directive 308 requires banks to act in order to maintain all statutes and rules of conduct applying to the different banking operations of a bank. An update to the Directive published in December 2019, added the duty of studying also significant changes occurring outside of Israel regarding compliance rules enforcement policy applied outside of Israel and which apply to a banking corporation, including activity of customers. Identification and assessment processes found at the basis of the update, are to include also conclusions drawn from significant compliance events, and shall be established in the procedures of the banking corporation, or in another documented manner that would ensure their absorption in the process.

  The Bank acts for an initiated and organized gathering of foreign regulation updates relating to the main countries relevant to the cross-border operation of the Bank customers.
- The compliance rules, as defined in the amendment to Directive 308 mentioned above, comprise a set of laws, regulations, regulatory instructions, competent authorities' position statements, binding legal precedence, internal procedures and the ethical code applying to the banking activity of the Bank.
- The duties applying to the Bank are cross-organization duties relating to a large variety of operations, procedures and products, conducted by the Bank on a daily basis.
- The Bank has adopted an internal enforcement program of the securities laws which is based on a comprehensive mapping of the relevant law orders and the Bank's procedures and processes, and prescribes procedures and guidelines for the continuing application of the program. This is in accordance with the criteria which the Securities Authority issued on the subject. The Bank appointed the Head of the Risk Management Division and CRO of the Bank as the supervisor on the internal enforcement program of the securities law. The Bank conducts a follow-up on the application of the internal enforcement program of the securities law, among others, by executing controls and audits in the securities laws area. The Bank also takes actions in assimilation of knowledge in this area. The Board of Directors approves once a year, a working program to the officer in charge on the internal enforcement in securities law.
- The Bank has adopted an internal enforcement program regarding economic competition legislation. The Bank has established procedures and different processes for the continuing implementation of the program. The Bank has appointed the Chief Compliance Officer of the Bank as the function in charge of internal enforcement at the Bank of economic competition legislation. The bank performs monitoring of the execution of the enforcement program with respect to economic competition legislation, inter alia, by means of performing controls and also by taking action to absorb information in this field. The Board of Directors approves once a year, a working program to the officer in charge on the internal enforcement in economic competition legislation.
- The Bank implemented Amendment 13 to the Protection of Privacy Law and seeks to implement these directives came into force in August 2025. For further details, see chapter Legislation and Regulatory Initiatives, in the Corporate Governance Chapter.

Policy

The Board of Directors prescribed and approved a Group-wide compliance policy. The policy determined, inter alia, the structure of the compliance function, the various factors involved in the implementation of the policy, allocation of responsibilities for the control in the second line of defense of the various compliance requirements, in accordance with the rules prescribed in the Directive, etc.

The Bank's compliance policy establishes the compliance values that the Bank promotes (among other things); serves as a guideline for all Bank functions' compliance risk management in general, and compliance with all applicable regulatory requirements in particular; outlines principles and foundations; and stipulates the different functions' authorities and

responsibilities within the Bank and the Group, to lay an adequate foundation for implementation of the Bank's and the Group's compliance obligations, and formalizing them according to procedures and processes.

Risk appetite

The Bank and the Group have adopted a policy of scrupulous insistence on matters relating to compliance risk. With respect to infringement of the provisions of the law and the Bank's procedures relating to the provisions of the law, the Group monitors the compliance directives applying to it and ensures that all of the Group's employees act in accordance with them. All of the Group's transactions are conducted in accordance with the Bank's procedures, the ethical code and all laws and regulations. The Group endeavors to assimilate an organizational culture of honesty and ethical standards as an essential basis for the existence of a compliance culture at all levels of the organization.

Exposure management

- In order to abide by the Directive, the Bank has established a Compliance Department (hereinafter - "compliance function" or the "the function"), which is subject to the Chief Compliance Officer and serves as an independent function responsible for compliance risk management at the Bank. Moreover, the Chief Compliance Officer was also appointed as Regulation Officer ("RO") in charge of the implementation of legislation rules and instructions regarding FATCA, the aim of which is to enforce reporting mechanisms with respect to bank accounts of American citizens held outside the US, as RO in charge of verifying the implementation of the Qualified Intermediary ("QI") rules, which apply the reporting requirements and the withholding of tax from certain payments not only to accounts of American foreign residents but also to other accounts recording income from US sources, as well as officer in charge of verifying the implementation of the common reporting standards (CRS) rules, which similarly to the FATCA rules, are aimed at regularizing the manner of the automatic exchange of information between countries signing this agreement, with respect to financial accounts of foreign residents.
- The function is responsible for collating control at the Bank over adherence to the compliance rules under its responsibility, in accordance with the compliance policy and the annual work program, and for reporting on deficiencies and gaps to all echelons of authority at the Bank.
- Working alongside the Chief Compliance Office are:
  - Compliance supervisors at each of the Bank's branches and the head-office.
  - A forum for monitoring the application of statutory directives that monitors the implementation of the new compliance directives as well as discusses proposed drafts of directives, Bills, Bill Memorandums, etc.
  - A forum for monitoring the application of consumer directives that monitors the implementation of the directives and other crosswise issues, focusing on consumer compliance.
  - The Bank maintains an array of instructions and courseware, both to the compliance supervisors and all the employees, in various compliance issues, including anti-money laundering and terror finance risks, enforcement in securities and competition laws, cross border risks, privacy protection risks, etc.

Exposure reporting

- Quarterly report within the quarterly risk document, which includes a summary of the function's activity, and adherence to the compliance directives and recommendations regarding the measures that need to be taken with respect to preparations for applying a new compliance directive, as well as an annual detailed report summarizing her activity in the previous year.
- Risk assessment document, presented once a year at Management and at the Risk management committee of the Board of Directors. The document includes reference to the risk centers in a bank, according to the national risk assessment document, which is published once in a period, as well as risk centers that are unique to the Bank.
- In addition, the compliance policy prescribed by the Board of Directors, defines immediate reports to Management and Board of Directors.

Management of compliance risk on a Group basis

The Chief Compliance Officer acts as the Head Office unit of the Group in the matter of management of compliance risks, and it is her responsibility to verify the implementation of the policy of the Group in the matter of compliance by the banking subsidiary, providing guidance and assistance to the subsidiary company in developing systems, the writing of procedures, training of staff and integration of the instructions.

Conduct risk management

Conduct risk is cross-organization risk, which extracts its normative framework from a long list of laws and regulations and which is based on fundamental values such as fairness, decency, prevention of discrimination and transparency, in the way the Bank conducts with different stakeholders.

The Group implemented the values of fairness and transparency in its activity with its customers, strengthening these values in its daily operations. In general, the Bank Group is requested to ensure that the proposals that are given to customers are customized to their needs and the services provided to the customer are without discrimination of any kind. Failing to meet the conduct risk exposes the group to different risks, among others, compliance risks, legal risk, reputation risk etc. The Bank implemented a policy on conduct risk as part of the compliance policy.

MONEY LAUNDERING AND TERROR FINANCING PROHIBITION RISK

General

- Money laundering and terrorism financing prohibition risk (hereinafter: "money laundering/ AML") is the risk of significant financial sanctions being imposed on the Bank due to failure to adhere to the provisions of the law in the matter of money laundering prevention and prohibition of the financing of terrorism, and the risk of the corporation and its employees being subject to criminal liability. In addition, the realization of an offence under the provisions of the law in the area of money laundering and terrorism financing prohibition could result in the materialization of reputation risk.
- The banking sector is subject to directives concerning the prevention of money laundering and the financing of terrorism which include inter alia the Money Laundering Prohibition Act, the War on Terror Act, the Money Laundering Prohibition Order, Proper Conduct of Banking Business Directive 411 and various circulars.

Policy

The Group has an orderly policy regarding money-laundering and terrorism financing prohibition, which is approved once a year by the Board of Directors of the Bank. In addition to the required current updates, a year ago, a new chapter was added to the compliance policy of the Bank in respect of international sanctions.

Risk appetite

- The Bank Group has a strict policy with respect to money laundering and terrorism financing risks and cross-border risks, including for the purpose of cross-border tax offenses. Under this policy, all the Bank's managers and employees, without exception, must adhere to the provisions of all laws and regulations applicable to the Bank and to all the Bank's procedures pursuant therewith, and seek to minimize these exposures, as much as possible.
- The Bank Group has a stringent policy to ensure strict implementation of the law and "Know Your Customer" provisions regarding customers with whom the Bank conduct business, including understanding the customer's business conducted with the Bank or through the Bank, which are essential for managing the Bank's risks and for eliminating (as much as possible) the potential for money laundering and terror financing violations by the Bank and for the proper management of the Bank.
- The money laundering and terrorism financing prevention policy includes clear definition of prohibitions and instructions in relation to activity vis-à-vis entities and countries subject to restrictions and/or designated sanctions, including reference to the balance between the provision of service to the customer and the management of risk, deriving from the sanctions regimes, and in accordance to Proper Conduct of Banking directive No. 412- " provision of service to customers on the background of sanctions regimes.
- The risk management policy addresses "Know Your Customer" requirements in accordance with binding applicable legislation, and stipulates the required processes and tools to best comply with these requirements.
- The risk management policy defines the qualitative and quantitative risk appetite, in the areas of risks, for which the Bank is exposed to, in its operations as well as principals for the management of the risks.

Exposure management

- A unit for prevention of money laundering and finance of terrorism operates within the Bank, and is responsible for the application of the law directives in this subject and their implementation. The unit is part of the compliance unit and is subordinated to the chief compliance officer, which also serves as the officer in charge of Anti Money Laundering. The compliance department is subordinated to the Chief Risk Officer.
- The roles of the person in charge of AML and finance of terror include, inter alia, policy and procedures compilation and updates in accordance with changes in legislation and the provisions of the law, development and conduct of controls to ensure that the Bank is implementing the law and reports the necessary reports, sending reports on unusual transactions to the Money Laundering Prohibition Authority, and examining the application of the Bank's policy at all the auxiliary

corporations in the Group and conducting and/or reviewing the existence of instructional sessions to money laundering prohibition officers and all employees, which increase the awareness to the subject.

- The Bank operates computerized systems for the management of the exposure, the first of them is the system for scanning transactions against terror and sanctions lists, system for identification and reporting unusual transactions, systems for reporting according to requirements applied by the law, system for management of the information regarding the customer, monitoring exceptionals, etc.
- In order to apply the law and assiduously assimilate its provisions, the Bank has appointed compliance supervisors who also serve as money laundering prohibition supervisors at the branches responsible for current activity in the matter in accordance with policy and procedures, and who are professionally subordinate to the Compliance officer.
- The Bank inspects data quality and currently adopts measures to improve it by means of control reports. The Bank also invests considerable resources in developing and upgrading computerized control systems, and allocates personnel to the unit in order to increase the efficiency of the controls.
- The Bank allocates, each year, resources to execute the working plan in respect of improvement and development of the computerization, as an answer to the tasks of implementations of regulatory updates and improvement of the computerization environment derived from the annual risk assessment.
- The Legal Department monitors legislative changes and ensures that they are sent to the Money Laundering Prohibition Officer, and provides legal support as requested by this official for the purpose of carrying out his duties with respect to the activity of the unit and the Bank as a whole.

Exposure reporting

- Once a quarter, in the quarterly risk document, the Money Laundering Prohibition Officer reports to the Management of the Bank on her activity during the past quarter. The detailed report includes reference to the risk centers which she has identified and methods for dealing with them.
- At least once a year, the Money Laundering Prohibition Officer submits a detailed report to Management and the Board of Directors of the Bank, detailing the subjects treated by her in the previous calendar year. The report is separated from the risk document.
- Risk assessment document, presented once a year at Management, at the Risk management committee and at the Board of Directors. The document includes reference to the risk centers in a bank, according to the national risk assessment document, which is published once in a period, as well as risk centers that are unique to the Bank.
- In addition, the policy prescribed by the Board of Directors defines immediate reports to Management, the Board of Directors and to the Bank of Israel.

Group management of money laundering and terrorism financing risk

The anti-money laundering and terrorism financing officer operates as the head office unit of the Group in connection with money laundering and terrorism financing prohibition risks. The Money Laundering Prohibition Officer is responsible for ensuring that Group policy is applied in the area of money laundering and terrorism financing prohibition at the subsidiaries, as required in Proper Conduct of Banking Business Directive 411, by guiding and assisting the subsidiaries in the construction of systems, the compilation of procedures, instructional activities and in assimilating regulations.

Cross-border risk management

The Bank Group operates in different banking fields. Among the customers served by the Bank Group, are also customers subject to cross-border restrictions. On background of increased efforts made by foreign countries to discover funds held by their residents outside their country of residence, and the trend for international cooperation in the combat against tax evasion, the Bank's transactions with such customers, as stated, may increase exposure to compliance risk stemming from cross-border activities as well as to reputation risk.

The Bank has determined a designated policy regarding this issue, work procedures have been instituted, and decision has been taken regarding a series of operational steps for the management and reduction of risk. With respect to accounts

being of a high risk from the aspect of cross-border risks, customers showing indications regarding foreign tax residency were identified and marked, and all new customers are required to sign declarations regarding their tax residency and waiver of confidentiality regarding all their accounts.

Income Tax Regulations (Application of a uniform standard for reporting and examining the appropriateness of information regarding financial accounts), 2019, which were published on February 6, 2019, integrate into the Israeli tax laws the commitments accepted by the State of Israel for the adoption of the international standard regarding the exchange of information ("the CRS standard") which was developed by the Organization of Economic Cooperation (OECD), in order to automatically exchange information on annual basis, in order to provide mutual assistance in tax enforcement between countries.

In addition to the above mentioned, in recent years developments in legislation and banking regulations occurred, in Europe and over the world, which can affect on the risk level and exposure to compliance risks, stemming from providing services to foreign customers. As a general rule, the Bank does not initiate marketing activities, promotion and advertising and does not aim or offer its services on a distinctly manner, or aim at foreign residents, either directly or online. The Bank has no extensions or representation abroad and Bank employees do not operate outside of Israel. In respect of foreign residents account opened at the Bank, the Bank applies risk-based approach in all account opening procedures and account management, in order to minimize and hedge, as possible, the probability or possibility that the Bank will breach the foreign laws while providing services to foreign residents. This is done by prohibition of performing active marketing activity, restriction and adjustment of type and the manner of providing the services, including restriction or avoidance of provision of services to foreign residents at the time when they stay outside of Israel, and with reference to the matter of the service initiator.

The risk level of cross border risk was increased since the beginning of the war between Russia and the Ukraine and the beginning of the sanctions regime on Russia and separatist areas in the Ukraine. It is emphasized, that in light of the existing reality, the controls and examination performed by the Bank were tightened, with emphasis on the updating the list of declared entities under sanctions on a current basis and controls over activities done with Russia, Ukraine and Belarus.

The FATCA rules - compliance with the provisions of the local legislation enacting the rules prescribed by US Law and which are embedded into the bilateral agreement between the United States and Israel. Within the framework of the provisions of this Directive, the Bank conducts internal processes for the identification and documentation of accounts belonging to US residents, including the reporting thereon at each September, in respect of the previous tax year, to the US Tax Authorities. The reporting is made by way of the Israeli Tax Authority, as required by the Directive. In this respect, and in accordance with the legislative rules, since the entry into effect of the Regulations, the Bank allows the opening of a new account on condition of the signing by the customer of a declaration regarding his tax residency.

The CRS rules- The standard was developed by the OECD, the purpose of which is to gather information on the tax residency of the Bank's customers, and reporting on it to the tax authorities of the participating countries, through the Israeli Tax Authority. The standard, which was embedded in local legislation, is implemented by the Bank, that reports, in each September, in respect of the previous tax year, of its customers that declared on foreign tax residency, or those, which their account shows indication for such tax residency.

The QI rules- US tax regulations concerning tax withheld at source on income from American origin, including dividend income and interest payments of American securities. The rules state, *inter alia*, the requirements for identification, documentation, tax withholding and reporting, and are applied to all holders of securities with receipts from American origin, whether they are American or not. To comply with the regulations, a management infrastructure was established to complete the reporting, including control processes.

REPUTATION RISK

General

Reputation risk is the risk stemming from a negative perception on the part of customers, counterparties, shareholders, investors, bondholders, analysts, and relevant regulatory or other factors, which may adversely affect the ability of a banking corporation to maintain existing business relations, or establish new relations, or to enjoy continuous access to financial resources.

Risk appetite

The group has low tolerance to reputation risk, that might have an impact on its stability, including threats deriving from the perception of the Bank. Furthermore, the Bank sees a positive perception as a major asset, therefore it will act to prevent the materialization of the reputation risk that might reach a crisis scenario and will try to minimize the materialization of reputation risks, as much as possible.

Policy and exposure management

The Bank has a policy for the management of the risk that includes: identifying and monitoring after the risk factors and compilation of prevention activity, early identification of potential reputation events, continuous monitoring of the risk and its management, including reporting and control processes.

Management on a Group basis

Subsidiary companies in the Group, including nonbanking subsidiaries, adopt the above stated policy with required modifications. Each subsidiary or marketing brand, is responsible for putting a special emphasis on its core populations. Each subsidiary or marketing brand, has appointed a Reputation Risk Manager, who is responsible for the reputation risk management as prescribed in the policy document. The spokesperson of the Bank serves also as spokesperson for the Group, and accordingly, every material contact with the media regarding the operations of the Group and/or the banks, is reported and coordinated in advance with the spokesperson.

STRATEGY RISK

General

Strategy risk is the risk of present or future implications on earnings, capital and reputation or position resulting from erroneous business decisions, from the improper implementation of decisions or from the failure to respond to sector-specific, regulatory, economic or technological developments. The risk is a function of correlation between the Bank's strategic objectives, the business strategies that were developed for achieving these objectives, the resources that were allocated to these objectives and the quality of their implementation.

The Bank divides the strategy risk to three risk groups, the materialization of each, or part thereof, may affect the fulfillment of the strategic vision and goals: Strategic positioning risks, Strategic execution risks and Strategic consequence risks.

Policy and exposure management

The goals of the strategy risk management policy are:

- To assure the correlation between the Bank's strategic objectives to: annual work plans; the resources that were allocated to these objectives (among others, capital resources as part of the capital planning of the Bank); implementation of strategic decisions.
- The ability to monitor the strategy risk, which allow early identification of the gaps in materialization of strategy planning: erroneous decisions/business plans; inappropriate implementation of strategic decisions; sector, economic, technology and regulatory changes.

Measures for the monitoring, on a quarterly and semi-annually were set. The measures are updated according to developments. Recently, these measures were expanded and updated in order to reflect the risks derived from existing and anticipating strategic moves.

Risk appetite

The group has low tolerance to strategic risk, due to the critical impact it might have on the Bank's stability and business achievements. The Group embraces business strategy characterized by high level of cautious and conservativity.

The Group implements control procedures in order to minimize the exposure to exceptional risks.

Exposure reporting

The Bank has a detailed layout of reporting requirement concerning the strategy risk along the different lines of defense.

In the framework of the quarterly risk document, major matters in respect of the strategy risk are being reported.

Group management of strategy risk

The banking subsidiary adopts the Bank's policy, with emphasis to its unique characteristics, in the process of the strategy planning.

REGULATORY RISK

Actual or future risk to the Group's income and capital that may arise from regulatory or legislative changes that may affect the Group's operations and business. The risk stems from increasingly strict regulatory demands in Israel and worldwide. The regulatory changes and implemented regulatory reforms aggravate the uncertainty and competitiveness in the financial systems and generate risk to the Group's income, expenses, and capital, including by prohibiting or imposing restrictions on business activity. Such changes also warrant that the Bank prepare for, adopt, and implement regulatory requirements, which involves considerable investments and costs, especially in automation. The Bank manages its regulatory risk through the legal counsel function, the Compliance Department, the Strategy Unit, and the Regulation Unit. The strategic plan and the work plan address these changes and potential effects.

For further information on developments regarding regulatory risk, see "Leading and developing risks" above. For information on material regulatory initiatives with the potential to affect the Bank's operations in the reporting period, see "Legislative restrictions and regulatory initiatives" in the Corporate Governance chapter.

MODEL RISK

General

Model risk is defined as the potential for negative implications stemming from decisions or actions (including reporting) that had been made based on erroneous model products, or the wrong use made of model products. The realization of the model risk may lead to financial loss, erroneous business and strategic decisions or damage to the reputation of the Bank.

Risk management policy

The Bank has a model risk management policy (MRM) that details and defines a comprehensive model validation framework, which includes different tools aimed at reducing model risk, preventing incorrect use of the model and preventing model results risks.

Risk appetite

The Bank has measured tolerance to model risk. The Bank acts to minimize the model risks to the extent possible, while considering costs as against the reduction of the risk.

The level of meticulousness and sophistication of the validation processes at the Bank (primary, periodically and current) are in line with the comprehensive use of the models by the Bank, with the complexity and significancy of the models and the Bank's activity.

DISCUSSION OF RISK FACTORS

The degree of impact of the risk factors was determined in line with the Bank's methodology in the ICAAP process and in the risk document. The methodology takes into account the risk level and any development in the Bank's risk profile vis-à-vis the specified risk appetite and the risk management quality.

Each risk factor appearing in the table was examined, on its own, and on the assumption of non-dependence between one risk factor and other risk factors appearing in the table.

In the fourth quarter of 2025, local systemic risk was added, on the background of the continuous uncertainty in respect of the volume of the effects of the economic and security developments in Israel.

	Risk	Effect	Risk level
1.	Market risks	Market risk is the actual or future existence of a risk to a loss or impairment deriving from a change in the economic value of a financial instrument, specific portfolio or group of portfolios and on comprehensive level, due to changes in prices, rates, spreads and other parameters in the markets.	Low-Medium
1.1	Interest risk	Interest risk is the risk to earnings and/or capital stemming from fluctuations in interest rates. Changes in interest rates, affect the earnings of the Bank by changes in net income, and the value of the assets of the Bank, its liabilities and off-balance sheet instruments, due to changes in the present value of future cash flows (and in some cases, even the cash flows themselves) following changes in interest rates. In the second quarter of the year, the risk level was raised from "Low-Medium" to "Medium", mainly due to the increase in the government bonds portfolio, which raised the interest exposure of the Bank.	Medium
1.2	Inflation risk	Risk to a loss that could materialize as the result of changes in CPI expectation curve or changes in the consumer price index itself.	Low
1.3	Exchange rate risk	Exchange rate risk is the actual or future risk to a loss that could materialize as the result of changes in exchange rates or in the expectations of a change in the exchange rate.	Low
1.4	Share risk	Share price risk is a risk to a loss as a result of changes in the shares' price or shares' index.	Low
2.	Liquidity risk	Liquidity risk is the actual or future risk that the Bank will have difficulty in supplying liquidity requirements due to shortage in available balances in local and foreign currency due to unexpected withdrawals, unexpected demand for credit and uncertainty regarding the availability of sources and unexpected liabilities, including a steep decline in value of liquid assets.	Low-Medium
3.	Credit risk	Credit risk is the risk of borrowers or counterparty will not fulfil their obligations to the Bank. In the framework of the overall credit risk assessment, weighing of all factors affecting the risk level is carried out, amongst them, the volume of exposure, macroeconomic environment, effect of quality of borrowers and collateral and effect of sector concentration, including the risk embedded in the credit to construction and real estate sector. The risk level reflects, inter alia, the effect of the war on the Bank.	Medium
3.1	Quality of borrowers and collateral	The actual or future risk of erosion in the value of Group assets, income and equity that could materialize as the result of a decrease in the quality of borrowers against the background of a deterioration in their repayment ability, and/or in the value and quality of the collateral which they provided as security for credit.	Medium
3.2	Sector concentration	Actual or future risk of impact to the value of Group assets, income and equity resulting from a high volume of credit granted to borrowers in a certain sector and/or investment in instruments sensitive to the sector. Deterioration in the business activity of such a sector, due to changes in supply or demand, changes in raw material prices, geopolitical developments and regulatory developments may impact the repayment ability and/or value of collateral provided by part of the borrowers in that sector, and may therefore adversely affect the value of the Group's assets and profitability.	Low

	Risk	Effect	Risk level
3.3	Borrower and borrower group concentration	Actual or future risk of impact to the value of the Group's assets, income and capital due to deterioration in the position of a large borrower/large group of borrowers relative to the credit portfolio, which could adversely affect the chance of collecting the credit, and therefore also the value of the Group's assets and profitability. The effect of the risk is a function inter alia of the borrower groups' internal composition, the extent to which the companies comprising them are connected from the business or sector-specific aspect, their diversification, and the extent to which problems at one of them will affect the others.	Low
4.	Operational risk	Operational risk is risk to a loss due to the impropriety or failure of internal processes, persons (including labor relations) and systems, or due to external events. The definition includes legal risk, fraud and embezzlement risks, IT risks, information security risks, cyber and business continuity but does not include strategic risk or reputation risk.	Medium
4.1	Cyber and data protection risk	This risk (being part of operating risk) is separately assessed in view of increasing events around the world and in the financial system in particular, and in view of the expanding digital activity by the Group's customers, expanding the use of new technologies, open systems and more material entrance to iCloud computer use. The risk is defined as a potential for the damage stemming from a cyber event, considering the level of likelihood and severity of its implications.	Medium-high
4.2	Information technology risk	This risk (being part of operating risk) is separately assessed because the technological environment is complex and variable and dependence on it is increasing. In recent years the risk has intensified in view of the need to increase business and technological flexibility as well as increasing the use of new technologies.	Medium
5.	Legal risk	Legal risk is included under operational risk as this is defined in Proper Conduct of Banking Business Directive 350 ("Comprehensive Legal Risk") and includes, but not only, "exposure to fines, penalties or punitive damages as the result of supervisory activity as well as private settlements".	Low-medium
6.	Reputation risk	Reputation risk is the risk stemming from a negative perception on the part of customers, counterparties, shareholders, investors, bondholders, analysts, and relevant regulatory or other factors, which may adversely affect the ability of a banking corporation to maintain existing business relations, or establish new relations, or to enjoy continuous access to financial resources. Reputation risk is materially affected from the materialization of interfacing risks such as operational risk, credit risk, compliance risk, anti-money laundering and finance of terror risks and more, the publication of which might cause the materialization of the reputation risk (for example: theft & embezzlement event, money laundering events, cyber event, high financial loss, etc.).	Low-medium
7.	Legislative and regulatory risk	Legislative and regulatory risk is the actual or future existence of a risk to the Group's income and capital that could arise from changes in regulation or legislation which could affect the Group's business activity. This risk stems from higher regulatory demands in Israel and worldwide. The regulatory changes and the implementation of regulatory reforms aggravate uncertainty and competitiveness in the financial system and generate risk for the Group's income, expenses, and capital, including by prohibiting or imposing restrictions on business activity. Such changes also require the Bank to prepare for, adopt, and implement regulatory requirements, which involves considerable costs and investments, especially in automation.	Medium

	Risk	Effect	Risk level
8.	Compliance, money laundering and terrorism financing prohibition risks	Compliance risk is the risk for a legal or regulatory sanction, a material financial loss or damage to the Bank's image, as a result of failing to comply with the compliance provisions. Compliance risk includes the risk of failure to meet the consumer provisions specified in the Proper Banking Business Conduct Directive 308, the risk of failure to meet the provisions of the Money Laundering and Terrorist Financing Prohibition Law, the risk of failure to comply with the provisions of the Internal Enforcement Plan in securities laws, the risk of failure to comply with the provisions of the Internal Enforcement Plan in competition legislation, the risk of failure to comply with the provisions of privacy protection legislation and the risks arising from activity vis-à-vis foreign residents. This risk also includes conduct risk, which is a cross-organization risk that draws its normative outline from a long list of legislation and regulation directives and based on basic values such as fairness and transparency in the manner the Bank operates with different stakeholders. The intensification of the regulation and enforcement of the tax authorities in different countries, in order to locate financial means of their residents held outside the country of residency, may project on the conduct pattern of customers, hence exposing the Bank to compliance risks, reputation risks and cross border risks. Anti money laundering and terror financing risks are risks to criminal responsibility of the corporation, its managers and employees being created, damage to the earnings and capital of the Group, which may be created on the background of significant financial sanctions being imposed and reputation risks, which may be expressed by disengagement with financial bodies around the world and abandon of customers, as a result of not adhering to the law directive in respect of AML and finance of terror prohibition. The materialization of an offence in respect of AML and finance of terror prohibition, as well as the involvement of the Bank in tax offences in Israel and around the world, conducted by its customers, may lead to the materialization of reputation risk, operational risks, legal risks, strategy risks and other risks. The effect of compliance risk, AML and finance of terror risk projects on all the areas of activity of the Bank, including the administrative enforcement and local and international regulation, including the FATCA and CRS.	Medium
9.	Strategy risk	Strategy risk is the risk of present or future implications on earnings, capital and reputation or position resulting from erroneous business decisions, from the improper implementation of decisions or from the failure to respond to sector-specific, regulatory, economic or technological developments. The risk is a function of correlation between the Bank's strategic objectives, the business strategies that were developed for achieving these objectives, the resources that were allocated to these objectives and the quality of their implementation. The strategy risk includes also the competition risk, stemming from the exposure of the Group to competition in Israel in all areas of activities. In its current operations, the Group competes with banking corporations and other financial bodies providing alternative financial products to the products provided by the Group. The competition risk expresses the erosion of profitability and capital on the background of the competitive pressure to reduce fees and spreads. The Bank divides the strategy risk to three risk groups, the materialization of each, or part thereof, may affect the fulfillment of the strategic vision and goals: Strategic positioning risks, Strategic execution risks and Strategic consequence risks.	Medium
10.	Model risk	Model risk is defined as the potential for negative implications stemming from decisions that had been made based on erroneous model products, or the wrong use made of model products. The model risk may lead to financial loss, erroneous business decisions or damage to the reputation of the Bank.	Low-Medium

	Risk	Effect	Risk level
11.	Local systemic risk	The local systemic risk is composed of exogenic risks, deriving from the environment in which the Bank operates. The risk includes the effect of the macroeconomic risk, geopolitical and security risk and the continuous uncertainty prevailing in respect of the extent of the effects of the economic and security developments in Israel. The activity results of the banking system in Israel, and of the Bank as a part of it, are directly affected from the economic conditions, which are, among others, affected by the geopolitical and security environment. The local systemic risk may have an effect on other risks and their level, including: liquidity, credit, market, money laundering, cyber, business continuity and more.	Medium-High

The Bank takes specific measures to minimize the risks described above. In addition, a detailed policy was determined for the management of the exposures and risks, that include inter alia, definition of specific risk appetite, limitations on the exposure, different control mechanisms, reporting outlines, etc. Furthermore, also existing is a layout of procedures implemented by the Bank, as well as supporting computer systems.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

GENERAL

The financial statements of the Bank are prepared in accordance with accounting principles and accounting regulations, the main elements of which are detailed in Note 1 to the financial statements.

The financial statements include the results of calculations, assumptions and estimates relating to activities, events and developments that affect the profitability of the Bank. The Bank's Management bases its estimates on subjective assumptions and estimates compiled by employees and external professional entities with proficiency and expertise in the areas in which the estimates are required.

The external professionals and the employees engaged in the supervision, control and preparation of the estimates and assumptions regarding matters that are defined as having a critical effect on the financial results of the Bank do not, to the extent possible, have any involvement and current business relations with the entity or the matter that is the subject of the estimate.

The Management and the Board of Directors of the Bank believe that 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.

The following is a condensed review of the areas in which the Management of the Bank is required to make accounting assessments and estimates regarding matters whose impact on earnings and loss is likely to be critical and material. Changes in assessments and estimates regarding the matters described below, including actual results of an event that may differ from the estimate made in respect of it, could have a material effect on the financial results of the Bank and on the structure of its assets and liabilities (including contingencies).

A .Provision for credit losses

As of January 1, 2022, the Bank applies the generally accepted accounting principles for banks in the US regarding the measurement of credit losses arising from financial instruments as detailed in topic 326 of the codification (ASC -326) - Financial Instruments Credit Losses.

According to the rules, the purpose of the allowance for credit losses is to estimate the expected credit losses over the life of the credit. The process of determining the allowance is based on methods developed to estimate expected losses, taking into account historical information and reasonable and supportable forward-looking projections. This estimate also includes qualitative adjustments, including subjective Management forecasts and assessments, which involve uncertainty, and changes in estimates or assessments that may have a material effect on the allowance for credit losses.

In addition, every quarter, the Bank carries out a process of examining the adequacy of the classifications and the reasonableness of the overall provision, which also includes aspects of judgment, estimates and assessments regarding the level of risk inherent in the Bank's credit portfolio.

The provision for non-accrual debts in commercial credit is calculated using the discounted cash flow method. The provision for loans whose collection is contingent on collateral is calculated based on the value of the collateral. This provision is based on an estimate of the expected receipts to repay the debt from a variety of relevant repayment sources, including the borrower's business activity, the value of collateral provided by the borrower and the realization value of guarantees provided by the borrower or third parties. This method requires the use of judgment and estimates that the Bank's Management believes to be reasonable at the date of the assessment, but there is naturally no certainty that the amounts actually received will be the same as the estimates established.

The provision for expected credit losses, for housing credit, credit to individuals and commercial credit with a contractual balance of less than NIS 1 million, or commercial credit with a contractual balance of more than NIS 1 million and which is not non-accruing credit, consists of a quantitative element and qualitative adjustments and is calculated for each group of financial assets with similar risk characteristics. In commercial credit, the main method on which the Bank relies is a method based on historical net accounting write-off rates (WARM), and in credit to individuals and housing credit, the Bank applies the probability of default/loss given default (PD/LGD) method.

In order to determine the qualitative adjustments included in the provision for expected credit losses, the Bank takes into account the characteristics of the financial assets and indicators relating to the Bank's specific credit portfolio, such as changes in the volume of credit, changes in the volume of troubled debts, the quality of controls, credit concentration, etc., and also refers to the state of the economy and the economic environment in determining the qualitative adjustments based on existing macro data and macro forecasts for a period that has been defined as reasonable and substantiated. As part of the qualitative adjustments, the Bank examines whether there are additional uncertainties that are not adequately reflected in the results obtained, and if necessary, increases the provision for expected credit losses. These assessments reflect uncertainty and, by their nature, can change from time to time.

As part of the determination of the provision for credit losses, the Bank relates to a wide array of data, in part being internal data of the Bank and in part include, inter alia, macroeconomic indicators. As regards the macroeconomic indicators, the Bank, in its assumptions as of December 31, 2025, based itself upon economic forecasts. The Bank uses the method of weighting severe forecasts with real forecasts. It is noted that the macroeconomic values, as stated, form part of a wide set of parameters, assessments and subjective evaluations used in determining the provision for credit losses, and that changes in these assessments and subjective evaluations may, to a large extent, divert the collective provision for credit losses.

In the wake of the outbreak of the War, a mapping process has been conducted, in participation with the business functions and the Risk Management Division, of the different segments of operation that might be impacted by the security situation, with a view of identifying customers which might be affected by the situation in a way that would have an effect upon their financial stability and repayment capability. A dynamic follow-up list has been compiled, which includes borrowers whose activity and financial stability may have been affected by the situation. This list is being reviewed from time to time and includes debts as stated, on which is based an additional qualitative provision for fear of anticipated credit losses. It is noted that recently, in view of resumed activity, the said list was significantly reduced.

In addition, in order to test the sensitivity of the provision for credit losses to assumptions and evaluations that are different than those noted in the economic forecast, as stated, and which had been used in determining the provision for loan losses as of December 31, 2025, the Bank had tested additional scenarios, a pessimistic scenario and an optimistic scenario. The work assumptions by the Bank applied in the pessimistic scenario are: continuation of the state of war, low growth rates of the GDP and of private consumption. Furthermore, the Bank had intensified the forecast for the upward trend in the rate of unemployment for the next four consecutive quarters. In the optimistic scenario, different mitigations had been applied to the work assumptions regarding the said parameters. The said sensitivity analysis, the results of which are based on subjective evaluations, indicate that computation of the provision for credit losses as of December 31, 2025, based on the pessimistic forecast, would have resulted in an increase of NIS 58 million, while computation of the collective provision based on the optimistic forecast, would have led to a reduction of NIS 75 million in the collective provision. It is emphasized, that the pessimistic scenario does not constitute a stress test.

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

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

Estimates made by the Bank in the matter of the provision for credit losses are considered forward looking information, as defined by the Securities Act, 1968. These are based, inter alia, on information and publications by third parties and on estimates in the hands of the Bank at date of publication of the financial statements. The use of assessments and evaluations requires the exercise of discretion and the Bank's Management believes that these are reasonable at date of publication of the financial statements. Notwithstanding the above and in the nature of things, actual credit losses which will arise in the future respecting the existing credit portfolio might be materially different than the estimates made.

B. Legal claims and contingent liabilities

Risk assessment and accounting procedures reflecting lawsuits and contingent liabilities are carried out at the best judgment of the lawyer dealing with the matter, based on his proficiency in and knowledge of the law and court rulings, his experience in legal work, familiarity with banking activity as well as, review of the factual basis. The process of risk assessment is monitored by the relevant authorized functionaries in the Legal Department of the Bank.

In order to achieve this objective, the Legal Department acts in several areas:

1. Knowledge of the general law.
   The Legal Department diligently updates itself on current legislation and court rulings, a matter that is reflected in the internal procedures of the Department. Special attention is paid to matters that may have implications for the diverse activities of the Bank, including the drawing of conclusions and recommendations for action following relevant events that have occurred at other banks.
2. The processing of claims and complaints against the Bank.
   Lawsuits in various matters are pending against the Bank (including requests for approval of several of them as class actions), including: capital market, bank-customer relations, lack of proper disclosure, etc.

The Legal Department deals with all of the claims against the Bank, either by itself or via external lawyers who are assisted and supervised by the Legal Department as needed. Periodic reviews are conducted regarding the assessment of the risk in complaints and claims. Estimates of the Bank's exposure to claims and contingent liabilities, in respect of which a provision has to be made, or where disclosure is required with respect to the extent of exposure inherent in them, are made according to the best judgement of the attorney dealing with the case, in cooperation with the relevant professional entities at the Bank and are controlled, as stated, by the Legal Department and are reported to the authorized organs at the Bank in accordance with rules and materiality.

Regarding the majority of claims and contingent liabilities, estimates exist on the extent of the Bank's risk, and provisions are made accordingly.

As to the disclosure format of legal claims see Note 1.c.(16) to the financial statements.

C. Employee rights

Employees at the Group companies in, including the Bank, are entitled to certain benefits in the course of their employment, after leaving their employment and on retirement. These benefits include, among other:

- Post retirement and employment defined benefits schemes - Severance compensation, pension, retiree benefits and other.
- Other benefits (for some companies in the Group) - seniority awards and benefits in respect of unutilized sick leave.

Liabilities in respect of such benefits are based on calculations of an external actuary. The actuarial calculations are based on a number of parameters, including the probability that all the conditions for payment will be fulfilled - life expectancy, retirement age, employees rate of resignation from the Bank before formal retirement age, the expected rate of increase in salary, and the discount rate. The discount rate is determined on the basis of the return on Israeli government bonds, with the addition of a margin that equals the difference between the rate of return to redemption on US corporate bonds rated "AA" and above and the rates of return to redemption on US government bonds.

The following is a sensitivity analysis of the effect of a change in the principal parameters on the calculation of the actuarial provisions:

	December 31, 2025	
	Increase of 1%	Decrease of 1%
	NIS million	
Effect of change in Salary on:		
Actuarial liabilities for pension and severance payments	**57**	**(49)**
Other post-employment and retirement benefits	**1**	**(1)**
Benefit in respect of nonutilized sick leave	**2**	**(2)**
Effect of change in discount rate on:		
Actuarial liabilities for pension and severance payments	**(50)**	**58**
Other post-employment and retirement benefits	**(28)**	**36**
Benefit in respect of nonutilized sick leave	**(2)**	**2**
Staff long service awards	**(1)**	**1**
Effect of change in rate of expected employees leaving on:		
Actuarial liabilities for pension and severance payments	**99**	**(83)**
Other post-employment and retirement benefits	**1**	**(2)**
Benefit in respect of nonutilized sick leave	**(3)**	**3**
Staff long service awards	**(1)**	**1**

The effect of the change in the principal parameters on the post-retirement and employment defined benefits schemes - severance compensation, pension, benefits to retirees and other, are recognized in other comprehensive profit.

The effect of the change in the principal parameters on other benefits - seniority awards and benefits in respect of unutilized sick leave, are recognized in profit and loss.

The opinion of the actuary is available for review on the MAGNA website of the Securities Authority, and on the MAYA website of the Tel Aviv Stock Exchange.

D. Assessment of the fair value of derivative financial instruments

The Bank conducts large-scale activity in derivative financial instruments, which are presented in the financial statements on the basis of fair value as distinct from value on the basis of the accrual principle.

Since 2012, the Bank applies Standard ASC 820 for the measurement of the fair value of derivative financial instruments. Standard ASC 820 defines fair value as the price that would have been obtained from the sale of an asset or that would have been paid in order to discharge a liability in a transaction between a voluntary seller and a voluntary buyer at the date of measurement. For the purpose of fair value assessment, the accounting standard requires the maximum possible use of observed data and the minimum possible use of unobserved data. Observed data represent market information data that are obtained from independent sources, while unobserved data reflect the banking corporation's assumptions.

The use of these data types creates the following scale of fair value:

- Level 1 data - prices quoted from an active market.
- Level 2 data - prices derived from estimation models in which the significant data are observed in the market or are supported by observed market data.
- Level 3 data - prices derived from estimation models in which one or more of the data are unobserved.

Derivative financial instruments that have a main market were assessed on the basis of market value as set in the main market and in the absence of a main market, on the basis of the market price quoted in the most effective market. Derivative financial instruments that are not traded were estimated on the basis of models which the Bank uses in its current activity and which take into account the risks inherent in the derivative financial instrument (such as market risk and credit risk). Calculations of the fair value of derivative financial instruments in respect of their foreign-currency component are based on data prevailing in the international money markets and in the local market, and in respect of the local currency component, on unlinked interest rates and CPI-linked interest rates, taking into account the market prices, liquidity and tradability in the local market for the type of instrument in question and the period of the transaction. Interest rates under ASC 820 are uniform,

whether the value of the instruments constitutes an asset at the Bank or if it constitutes a liability. (There is no spread between the buy/sell interest rates.) The credit risk implied in derivative financial instruments is expressed by the fair value by the inclusion of a risk premium in the calculation of the value.

A risk premium is included in the calculation of all transactions. In transactions whose fair value constitutes an asset, the credit risk premium of the counter-party to the transaction is included; and in transactions whose fair value constitutes a liability, the Bank's risk premium is included.

The credit risk premium of the local banks, foreign banks and foreign brokers was accepted from external entities which rely on debt instruments and credit derivatives that are traded on an active market.

As for the rest of the customers, the risk premium was determined on the basis of an internal model for grading the quality of the customers and their credit risk.

The fair value of the various options is for the most part based on a Black and Scholes model, and is affected by the volatility implied in exchange rates, the interest rate and the indexes relevant to the option which the Bank purchased or wrote. Foreign currency-shekel exchange rate volatility data and foreign currency-foreign currency exchange rate volatility data are determined by an external company that specializes in the revaluation of options on the basis of data derived from the money markets in Israel and abroad. With respect to complex derivative financial instruments that do not have a tradable market, fair value quotations are usually obtained from entities abroad, and their reasonability is examined by the Bank's dealing rooms.

For additional details regarding fair value of derivative financial instruments, see Notes 27 and 32.

E. Fair value of securities

The Bank’s investments in not for trading shares which have available fair value, bonds in the portfolio available for sale and in the securities portfolio for trading is measured in the balance sheet on the basis of their fair value.

See Note 1.c.(8) and Note 1.c.(9) to the financial statements regarding the determination of fair value of securities and impairment.

Determination of the fair value of the foreign bond nostro portfolio

The fair value is determined by the middle office of the Resources Division of the Bank. In its pricing of Eurobonds, the Bank relies on a quotation from an independent external source that provides quotations to numerous large financial institutions worldwide.

The Eurobonds portfolio

The external quotation supplier provides the Bank with daily data on credit margins with respect to all the securities existing in the portfolio. The middle office carries out a reasonability test of the prices and credit margins, by such means as examining the reasonability of quotations from the Bloomberg system. In cases where a gap exists which exceeds the materiality threshold determined by the Bank, examinations are made against additional quotation suppliers.

Sensitivity analysis

According to the Bank’s calculations, an increase (decrease) of 0.05% in the interest margin deriving from the bond issuers’ credit risk, with respect to the Bank’s foreign-currency portfolio, which is based on quotations obtained from an external price supplier, will have the effect of reducing (increasing) the bonds’ revaluation by NIS 15.8 million.

As regards securities whose fair value is determined on the basis of stock exchange prices, these do not necessarily reflect the price obtained when selling securities at large volumes.

For additional details regarding fair value of securities, See Notes 12 and 32.

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 report of Management and the Board of Directors in respect of internal control over financial reporting as well as 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 December 31, 2025 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 fourth quarter of 2025, no change occurred in the Bank's internal control over financial reporting which exerted a material effect, or which can reasonably be expected to exert a material effect on the Bank's internal control over financial reporting.

Tel Aviv, March 9, 2026

Ron Levkovich
Chairman of the Board

Eli Cohen
CEO

CERTIFICATION

I, Eli Cohen, declare that:

1. I have reviewed the annual report of the First International Bank of Israel Ltd. (hereinafter: "the Bank") for the year 2025 (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, 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(1) and internal control of financial reporting(1). furthermore:
   A. We have established such controls and procedures, or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
   B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with the directives and guidelines of the Supervisor of Banks, which mainly adopt the generally accepted accounting principles in the United States (US GAAP), as detailed in Note 1 to the financial statements.
   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, March 9, 2026

Eli Cohen
Chief Executive Officer

CERTIFICATION

I, Nachman Nitzan, declare that:

1. I have reviewed the annual report of the First International Bank of Israel Ltd. (hereinafter: "the Bank") for the year 2025 (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, 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(1) and internal control of financial reporting(1). furthermore:
   A. We have established such controls and procedures, or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
   B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with the directives and guidelines of the Supervisor of Banks, which mainly adopt the generally accepted accounting principles in the United States (US GAAP), as detailed in Note 1 to the financial statements.
   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, March 9, 2026

Nachman Nitzan
Executive Vice President, CFO
Chief Accountant

REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT ON THE INTERNAL CONTROL OF FINANCIAL REPORTING

The Board of Directors and Management of the First International Bank of Israel Ltd. (hereinafter: the "Bank") are responsible for the establishment and application of adequate internal control of financial reporting (as defined in the Public Reporting Directives concerning the "Board of Directors' Report"). The system of internal control at the Bank was designed to provide a reasonable degree of confidence to the Board of Directors and Management with regard to the adequate preparation and presentation of the financial reports, which are published in accordance with the directives and guidelines of the Supervisor of Banks, which mainly adopt the generally accepted accounting principles in the United States (US GAAP), as detailed in Note 1 to the financial statements. Regardless of the quality of planning of the internal control systems, any such system has inherent limitations. Thus, even if we determine that these systems are effective, such systems can provide only a reasonable degree of confidence with regard to the preparation and presentation of the financial reports.

The Management, under the supervision of the Board of Directors, maintains a comprehensive system of controls aimed at ensuring that transactions are executed in accordance with the Management's authorizations, that assets are protected, and that accounting records are reliable. In addition, the Management, under the supervision of the Board of Directors, applies measures to ensure that information and communication channels are effective and monitor performance, including the performance of internal control procedures.

The Management of the Bank, under the supervision of the Board of Directors, assessed the effectiveness of the Bank's internal control of financial reporting as of December 31, 2025, based on the criteria established in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO 1992). Based on the assessment, the Management believes that as of December 31, 2025, the Bank's internal control of financial reporting is effective.

The effectiveness of the Bank's internal control of financial reporting as at December 31, 2025 was audited by the Bank's external auditors, Somekh Chaikin Certified Public Accountants (Isr.), as noted in their report .The auditors' report includes an unqualified opinion with regard to the effectiveness of the Bank's internal control of financial reporting as at December 31, 2025.

Ron Levkovich
Chairman of the Board

Eli Cohen
Chief Executive Officer

Nachman Nitzan
Executive Vice President, CFO
Chief Accountant

Tel-Aviv, March 9, 2026

AUDITED ANNUAL FINANCIAL STATEMENTS

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

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF THE FIRST INTERNATIONAL BANK OF ISRAEL LTD. IN ACCORDANCE WITH THE PUBLIC REPORTING DIRECTIVES OF THE SUPERVISOR OF BANKS REGARDING INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the internal control over financial reporting of The First International Bank of Israel Ltd. and subsidiaries (hereinafter together "the Bank") as at December 31, 2025, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Bank's Board of Directors and Management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of internal control over financial reporting, included in the accompanying Directors' and Management's reports on internal control over financial reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) in the United States regarding audit of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the instruction and guidance of the Supervisor of Bank's. The internal control over financial reporting of a bank includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Bank's assets (including disposal thereof); (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the directives and guidelines of the Supervisor of the Banks, and that money receipts and expenditures of the Bank are being made only in accordance with the authorizations of the Bank's Management and Directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition (including disposal) of the Bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as at December 31, 2025, based on criteria established in Internal Control - Integrated Framework issued by COSO.

We also have audited, in accordance with accepted auditing standards in Israel and certain auditing standards applied in the audit of banking corporations as determined by directives and guidelines of the Supervisor of the Banks, the financial statements - of the Bank and consolidated - as at December 31, 2025 and for the year ended December 31, 2025, and our report, dated March 9, 2026, expressed an unqualified opinion on those financial statements.

Somekh Chaikin
Certified Public Accountants (Isr.)

March 9, 2026

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

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF THE FIRST INTERNATIONAL BANK OF ISRAEL LTD.

Opinion

We have audited the financial statements of The First International Bank of Israel Ltd. ("the Bank") - of the Bank and consolidated - the balance sheet as at December 31, 2025 and the statements of income, statements of comprehensive income, changes in equity and cash flows - of the Bank and consolidated - for the year ended December 31, 2025 and the notes to the financial statements, including the summary of the significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position - of the Bank and consolidated - as at December 31, 2025, and the financial results and cash flows - of the Bank and consolidated - for the year ended December 31, 2025, in conformity with the instructions and guidelines of the Supervisor of the Banks (hereinafter - "the guidelines").

As mentioned in Note 1 to the financial statements, the Supervisor of Banks' guidelines adopt, mainly, the generally accepted accounting principles in the United States (US GAAP).

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Israeli Auditors' Regulations (Auditor's Mode of Performance), 1973 and certain auditing standards applied in the audit of banking corporations as determined by guidelines of the Supervisor of Banks. Our responsibilities under these standards are described in the section Responsibilities of the auditor for the audit of the financial statements - of the Bank and consolidated, in this report. We are independent of the Bank and its subsidiaries in accordance with the provisions of the law applicable in Israel, regarding independence and prevention of conflicts of interest of the auditor in Israel. We also fulfilled our other ethical obligations in accordance with the Auditors Law -1955, and the regulations thereunder. We believe that the audit evidence we have obtained is appropriate and sufficient to provide a basis for our opinion.

Key audit matters

The key audit matters described hereunder are matters that were communicated, or were required to be communicated to the Bank's Board of Directors and which, according to our professional judgement, were of most significance in the current period financial statements audit of the Bank and consolidated. These matters include, inter alia, any matter that: (1) Relates to accounts or disclosures that are material to the financial statements- of the Bank and consolidated; and (2) Involved especially challenging, subjective, or especially complex auditor judgment. These matters were adressed in the framework of our audit and in forming our opinion on the financial statements - of the Bank and consolidated - as a whole. Communication of these matters hereunder does not change our opinion on the consolidated financial statements as a whole and does not constitute a separate opinion on these matters or on the accounts or disclosures to which they relate.

Allowance for credit losses

Why was the matter determined to be a Key Audit Matter

As described in Notes 1, 13 and 29 to the financial statements, the balance of the allowance for credit losses in respect of balance sheet and off-balance sheet credit to the public is NIS 1,852 million as at December 31, 2025 and includes a specific and collective allowance in respect of credit to the public risk.

In the process of estimating the allowance for credit losses, the Bank estimates the expected loss in the credit portfolio. The process of estimating the loss is based on significant estimates that involve uncertainty and subjective assessments at the stages of the debts classification and of measuring the allowance for credit losses.

Beginning January 1, 2022 the Bank applies US generally accepted accounting principles on current expected credit losses (CECL) (ASC 326). In calculating the collective allowance, estimate of the lifetime expected credit losses is prepared according to a methodology and risk rating based models (such as the probability of default and loss given historical defaults and loss rates) within their framework the expected loss given a default event was estimated. The models are based on, inter alia, historical data and other adjustments for forecasting the expected credit losses.

Classification of customer's debt as unimpaired or impaired also affects the amount of the allowance for credit losses.
Furthermore, the Bank includes a specific allowance for credit losses for certain debts according to its policy on the basis of collecting assessments from that borrower.

The main estimates used as the basis for calculating the allowance for credit losses:
- Determining the estimates in the models including the methodology, assumptions and data, and determining the other adjustments involves significant judgement of choosing and preparing them.
- In identifying and classifying debts, judgement is exercised for detecting impaired debts on the basis of criteria that may indicate that the debt has become impaired, the estimate of the possible or existing damage to the borrowers' initial source of repayment or the existence of expected cash flows of the borrower for repaying the debt in a full and timely manner, and an assessment of other financial data of the borrower that can indicate the existence of weaknesses or potential weaknesses of the borrower. Classification of the debt as problematic will, as aforesaid, affect the amount of the allowance in respect thereto.
- In calculating specific allowance, judgement is exercised for determining the amount expected to be received from the borrower, such as determining the future cash flows for debt service that are expected from the borrower's activity and/or from realizing collateral and guarantees.

We identified the aforementioned estimates that serves as the basis for calculating the allowance for credit losses as a key audit matter. A change in these estimates or assessments may have a significant impact on the allowance for credit losses presented in the Bank's financial statements.
An audit of the allowance for credit losses requires judgement of the auditor as well as knowledge and experience for examining reasonability of the use of the models, calculations and adjustments that were used by management in determining adequacy of the classification of the debts and estimating the allowance for credit losses.

The Response to the Key Audit Matter
The following are the main procedures we performed for addressing this key audit matter in the framework of our audit:
We examined the work processes for calculating the allowance for credit losses and the design and operating effectiveness of controls over financial reporting that are related to determining the allowance estimation, including controls related to the following matters:
- Examination of adequacy of the methodology used for determining the allowance for credit losses;
- Examination of adequacy of the basic data used to calculate the allowance for credit losses;
- Detection of debts with potential characteristics of problematic debts, according to criteria defined by the Bank;
- Classification of debts according to the Bank's procedures;
- Analysis of the allowance reasonability as a whole.

We performed substantive procedures for examining the allowance for credit losses based on representations we received. These procedures included, inter alia:
- Reviewing the methodology for determining the allowance and its consistency with the accounting principles that apply to the Bank;
- Examining a sample of calculations made by the Bank for determining adequacy of use of the various models;
- Examining adequacy of the classification and estimate of the allowance for a sample of debts;
- Examining adequacy of the allowance for credit losses as a whole.

Responsibilities of the Board of Directors and Management for the financial statements of the Bank and Consolidated
The Board of Directors and Management are responsible for the preparation and fair presentation of the financial statements – of the Bank and consolidated – in accordance with the Supervisor of Banks' Directives which adopt, mainly, the generally accepted accounting principles in the United States (US GAAP); They are also responsible for the internal control necessary in accordance with the determination of the Board of Directors and Management to enable the preparation of financial statements – of the Bank and consolidated – that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements – of the Bank and consolidated – the Board of Directors and Management are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and Management either intend to liquidate the Bank or to cease its operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements of the Bank and consolidated
Our objectives are to obtain reasonable assurance about whether the financial statements – of the Bank and consolidated – as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Israel and certain auditing standards whose application in the audit of banking corporations was prescribed in the guidelines of the Supervision of Banks, will always detect a material misstatement when it exists. Misstatements

can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit conducted in accordance with auditing standards generally accepted in Israel and certain auditing standards whose application in the audit of banking corporations was prescribed in the guidelines of the Supervision of Banks, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement in the financial statements – of the Bank and consolidated – whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, malicious misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and Management.
- Conclude on the appropriateness of the Board of Directors and Management's determination regarding the existence of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements – of the Bank and consolidated – or, if such disclosures are inadequate, to modify the standardized wording in our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to operate as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements – of the Bank and consolidated – including the disclosures, and whether the financial statements – of the Bank and consolidated – represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that auditor identify during the audit. We also provide the Board of Directors and Management with a statement that we have complied with relevant ethical requirements regarding our independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, safeguards applied to eliminate identified threats to our independence.
From the matters communicated, or required to be communicated, to the Board of Directors and Management, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about such matter.

Reference paragraph
We have also audited, in accordance with the PCAOB Standards in the United States regarding the audit of internal control over financial reporting, as adopted by the institute of Certified Public Accountants in Israel, the Bank's internal control over financial reporting as of December 31, 2025, based on criteria established by the Internal Control - Integrated Framework published by COSO, and our report dated March 9, 2026 included an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

The engagement partner on the audit resulting in this independent auditors' report is Arik Aharon Nissan.

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

Somekh Chaikin
Certified Public Accountants (Isr.)

The year which Somekh Chaikin accounting firm began serving as the Bank's auditor is 1972.

March 9, 2026

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31

(NIS million)

		Consolidated			The Bank		
	Note	2025	2024	2023	2025	2024	2023
Interest Income	2	**11,771**	11,097	9,850	**11,160**	10,506	9,317
Interest Expenses	2	**6,949**	6,357	4,884	**6,838**	6,251	4,801
Interest Income, net	2	**4,822**	4,740	4,966	**4,322**	4,255	4,516
Expenses (income) from credit losses	13,29	**19**	(16)	502	**(12)**	(23)	484
Net Interest Income after expenses from credit losses		**4,803**	4,756	4,464	**4,334**	4,278	4,032
Non-Interest Income							
Non-Interest Financing income	3	**312**	432	142	**312**	432	161
Fees	4A,4B	**1,777**	1,553	1,502	**1,582**	1,387	1,348
Other income	5	**11**	21	8	**70**	78	62
Total non-Interest income		**2,100**	2,006	1,652	**1,964**	1,897	1,571
Operating and other expenses							
Salaries and related expenses	6	**1,769**	1,739	1,766	**1,645**	1,620	1,644
Maintenance and depreciation of premises and equipment		**338**	359	321	**311**	334	297
Amortizations and impairment of intangible assets	17	**146**	134	122	**145**	133	120
Other expenses	7	**937**	745	668	**901**	717	642
Total operating and other expenses		**3,190**	2,977	2,877	**3,002**	2,804	2,703
Profit before taxes		**3,713**	3,785	3,239	**3,296**	3,371	2,900
Provision for taxes on profit	8	**1,386**	1,383	1,090	**1,232**	1,228	973
Profit after taxes		**2,327**	2,402	2,149	**2,064**	2,143	1,927
The bank's share in profit of equity-basis investee, after taxes	15	**35**	74	113	**196**	228	245
Net profit:							
Before attribution to non-controlling interests		**2,362**	2,476	2,262	**2,260**	2,371	2,172
Attributed to non-controlling interests		**(102)**	(105)	(90)	**-**	-	-
Attributed to shareholders of the Bank		**2,260**	2,371	2,172	**2,260**	2,371	2,172

Consolidated and The Bank	Note	2025	2024	2023
				NIS
Primary profit per share attributed to the shareholders of the Bank				
Net profit per share of NIS 0.05 par value	9	**22.53**	23.63	21.65
Diluted profit per share attributed to the shareholders of the Bank				
Net profit per share of NIS 0.05 par value	9	**22.52**	23.63	21.65

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

Ron Levkovich
Chairman of the Board

Eli Cohen
Chief Executive Officer

Nachman Nitzan
Executive Vice President, CFO
Chief Accountant

Tel-Aviv, March 9, 2026

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31 (1)

(NIS million)

	Consolidated		
	2025	**2024**	**2023**
Net profit before attribution to non-controlling interests	**2,362**	2,476	2,262
Net profit attributed to non-controlling interests	**(102)**	(105)	(90)
Net profit attributed to the shareholders of the Bank	**2,260**	2,371	2,172
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale bonds to fair value, net	**281**	31	213
Adjustments of liabilities in respect of employee benefits(2)	**(69)**	(60)	25
Other comprehensive income (loss) before taxes	**212**	(29)	238
Related tax effect	**(86)**	9	(81)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**126**	(20)	157
Less other comprehensive income attributed to non-controlling interests	**10**	3	9
Other comprehensive income (loss) attributed to the shareholders of the Bank, after taxes	**116**	(23)	148
Comprehensive income before attribution to non-controlling interests	**2,488**	2,456	2,419
Comprehensive income attributed to non-controlling interests	**(112)**	(108)	(99)
Comprehensive income attributed to the shareholders of the Bank	**2,376**	2,348	2,320

(1) See Note 10.

(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 profit.

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

BALANCE SHEET AS AT DECEMBER 31

(NIS million)

	Note	Consolidated		The Bank	
		2025	2024	2025	2024
Assets					
Cash and deposits with banks	11	**83,776**	77,175	**83,652**	76,194
Securities[4]	12, 26	**38,266**	34,396	**35,548**	31,996
Securities borrowed or purchased under agreements to repurchase		**355**	70	**355**	70
Credit to the public	13, 29	**148,014**	131,050	**141,342**	124,573
Provision for Credit losses		**(1,640)**	(1,634)	**(1,514)**	(1,533)
Credit to the public, net		**146,374**	129,416	**139,828**	123,040
Credit to the government	14	**1,607**	1,496	**880**	789
Investment in equity-basis investees	15	**875**	842	**1,842**	1,826
Premises and equipment	16	**871**	867	**852**	847
Intangible assets	17	**404**	363	**402**	360
Assets in respect of derivative instruments	27	**3,934**	2,565	**3,934**	2,565
Other assets[2]	18	**1,371**	1,373	**1,285**	1,290
Total assets		**277,833**	248,563	**268,578**	238,977
Liabilities and Capital					
Deposits from the public	19	**238,509**	214,755	**233,166**	207,007
Deposits from banks	20	**1,906**	2,508	**3,648**	4,091
Deposits from the Government		**2,032**	2,540	**2,032**	2,540
Securities lent or sold under agreements to repurchase		**4,107**	2,304	**4,107**	2,304
Bonds and subordinated capital notes	21	**6,791**	4,479	**2,268**	2,218
Liabilities in respect of derivative instruments	27	**4,336**	2,729	**4,338**	2,732
Other liabilities[1][3]	22	**4,953**	5,164	**4,405**	4,655
Total liabilities		**262,634**	234,479	**253,964**	225,547
Capital attributed to the shareholders of the Bank		**14,614**	13,430	**14,614**	13,430
Non-controlling interests		**585**	654	**-**	-
Total capital		**15,199**	14,084	**14,614**	13,430
Total liabilities and capital		**277,833**	248,563	**268,578**	238,977

(1) Of which: provisions for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 210 million and NIS 177 million (consolidated) and NIS 206 million and NIS 173 million (the Bank) as of December 31, 2025 and 2024, respectively.
(2) Of which: other assets measured at fair value in the amount of NIS 5 million consolidated and the Bank (31.12.24 - NIS 1 million consolidated and the Bank).
(3) Of which: other liabilities measured at fair value in the amount of NIS 5 million consolidated and the Bank (31.12.24 - NIS 1 million consolidated and the Bank).
(4) Regarding amounts measured at fair value, see note 32.

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

STATEMENT OF CHANGES IN EQUITY

(NIS million)

	Share capital and premium [1]	Capital reserves from benefit due to share-based payment transactions	Total capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings [2]	Total	Non-controlling interests	Total capital
Balance as of January 1, 2023	927	-	927	(303)	9,925	10,549	476	11,025
Changes during 2023 -								
Net profit for the year	-	-	-	-	2,172	2,172	90	2,262
Dividend	-	-	-	-	(798)	(798)	-	(798)
Other comprehensive income, after tax effect	-	-	-	148	-	148	9	157
Balance as of December 31, 2023	927	-	927	(155)	11,299	12,071	575	12,646
Changes during 2024 -								
Net profit for the year	-	-	-	-	2,371	2,371	105	2,476
Dividend	-	-	-	-	(989)	(989)	(29)	(1,018)
Other comprehensive income (loss), after tax effect	-	-	-	(23)	-	(23)	3	(20)
Balance as of December 31, 2024	**927**	**-**	**927**	**(178)**	**12,681**	**13,430**	**654**	**14,084**
Changes during 2025 -								
Net profit for the year	**-**	**-**	**-**	**-**	**2,260**	**2,260**	**102**	**2,362**
Dividend	**-**	**-**	**-**	**-**	**(1,195)**	**(1,195)**	**(181)**	**(1,376)**
Benefit due to share-based payment transactions	**-**	**3**	**3**	**-**	**-**	**3**	**-**	**3**
Other comprehensive income, after tax effect	**-**	**-**	**-**	**116**	**-**	**116**	**10**	**126**
Balance as of December 31, 2025	**927**	**3**	**930**	**(62)**	**13,746**	**14,614**	**585**	**15,199**

(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 - see note 24A.B.

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31

(NIS million)

	Consolidated			The Bank		
	2025	2024	2023	2025	2024	2023
Cash flows from operating activities:						
Net profit for the year	**2,362**	2,476	2,262	**2,260**	2,371	2,172
Adjustments to reconcile cash provided from (for) operating activities:						
The Bank's share in profit of investees	**(35)**	(74)	(113)	**(196)**	(228)	(245)
Depreciation of premises and equipment	**64**	96	64	**62**	93	62
Amortization of intangible assets	**146**	134	122	**145**	133	120
Gain from sale of premises and equipment	**(9)**	(19)	(6)	**(9)**	(19)	(6)
Expenses (income) from credit losses	**19**	(16)	502	**(12)**	(23)	484
Loss (gain) from sale of available for sale bonds and not for trading shares and provision for impairment of available for sale bonds and not for trading shares	**(46)**	(26)	99	**(46)**	(26)	81
Realized and non-realized loss (gain) from adjustment to fair value of trading securities	**111**	(11)	2	**111**	(11)	2
Realized and non-realized gain from adjustment to fair value of not for trading shares	**(113)**	(163)	(14)	**(113)**	(163)	(14)
Deferred taxes, net	**3**	(13)	(148)	**5**	(10)	(141)
Defined benefit of pension and severance pay plans	**93**	78	58	**86**	72	53
Adjustments of exchange rate differences	**(1,461)**	66	274	**(1,461)**	66	273
Dividend received from investees	**-**	28	21	**189**	59	21
Net change in current assets:						
Trading securities	**(892)**	(3,344)	(1,427)	**(892)**	(3,344)	(1,427)
Other assets	**(8)**	(120)	(15)	**(7)**	(110)	(28)
Assets in respect of derivative instruments	**(1,418)**	1,071	(931)	**(1,418)**	1,071	(931)
Net change in current liabilities:						
Other liabilities	**1,181**	2,944	(544)	**1,149**	2,926	(514)
Liabilities in respect of derivative instruments	**1,607**	(1,055)	1,462	**1,606**	(1,058)	1,458
Accumulation differences included in investing and financing activities	**(874)**	(584)	(337)	**(896)**	(703)	(410)
Net cash from operating activity	**730**	1,468	1,331	**563**	1,096	1,010
Cash flows for investing activity						
Change in Deposits with banks	**(391)**	1,041	398	**(414)**	1,032	380
Change in Securities borrowed or purchased under repurchase agreements	**(285)**	(13)	(45)	**(285)**	(13)	(45)
Change in Credit to the public	**(12,571)**	(4,868)	492	**(12,371)**	(4,514)	365
Change in Credit to the government	**(112)**	(442)	(189)	**(92)**	(421)	(211)
Purchase of held to maturity bonds	**(1,765)**	(3,172)	(572)	**(1,594)**	(3,172)	(572)
Purchase of available for sale bonds and not for trading shares	**(61,863)**	(37,935)	(32,457)	**(61,423)**	(36,498)	(32,020)
Proceeds from redemption of bonds held to maturity	**1,037**	458	348	**1,037**	458	347
Proceeds from sale of available for sale bonds and not for trading shares	**4,280**	3,110	4,157	**4,280**	3,110	3,971
Proceeds from redemption of available for sale bonds	**52,650**	31,876	19,304	**52,285**	31,528	19,297
Acquisition of premises and equipment	**(73)**	(65)	(52)	**(72)**	(64)	(51)
Proceeds of sale of premises, equipment and other assets	**14**	28	19	**14**	28	19
Investment in intangible assets	**(187)**	(169)	(133)	**(187)**	(169)	(133)
Cash flows for investing activity	**(19,266)**	(10,151)	(8,730)	**(18,822)**	(8,695)	(8,653)

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31 (CONT'D)

(NIS million)

	Consolidated			The Bank		
	2025	**2024**	**2023**	**2025**	**2024**	**2023**
Cash flows from financing activity						
Change in Deposits from the public	**23,902**	17,209	20,361	**26,266**	16,496	20,137
Change in Deposits from banks	**(474)**	(1,716)	(564)	**(315)**	(2,164)	(892)
Change in Deposits from the government	**(1,113)**	2,116	491	**(1,113)**	2,116	491
Change in securities lent or sold under agreements to purchase	**2,327**	2,338	-	**2,327**	2,338	-
Proceeds from the issue of bonds and subordinate debt notes	**4,119**	-	-	**-**	-	-
Redemption of bonds and subordinate debt notes	**(1,946)**	(755)	(145)	**(9)**	(307)	(20)
Dividend paid to shareholders	**(1,195)**	(989)	(798)	**(1,195)**	(989)	(798)
Dividend paid to non-controlling shareholders in consolidated subsidiary	**(181)**	(29)	-	**-**	-	-
Net cash from financing activity	**25,439**	18,174	19,345	**25,961**	17,490	18,918
Increase in cash	**6,903**	9,491	11,946	**7,702**	9,891	11,275
Cash balances at beginning of year	**76,907**	67,557	55,423	**75,472**	65,718	54,269
Effect of changes in exchange rates on cash balances	**(693)**	(141)	188	**(658)**	(137)	174
Cash balances at end of year	**83,117**	76,907	67,557	**82,516**	75,472	65,718
Interest, dividend and taxes paid and/or received:						
Interest received	**11,414**	10,490	9,129	**10,927**	9,853	8,529
Interest paid	**(6,940)**	(5,978)	(3,780)	**(6,751)**	(5,797)	(3,598)
Dividends received	**57**	34	43	**57**	34	43
Income tax paid	**(1,768)**	(1,456)	(1,482)	**(1,592)**	(1,263)	(1,346)
Income tax received	**114**	72	67	**100**	55	60

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - PRINCIPAL ACCOUNTING POLICIES

A. General

(1) The First International Bank of Israel Ltd. (hereinafter - "the Bank") is an Israeli corporation. The consolidated financial statements as of December 31, 2025 include those of the Bank, of its consolidated companies and equity-based investees (hereinafter - "the Group").

The notes to the financial statements relate to the financial statements of the Bank and to the consolidated financial statements of the Bank and its consolidated subsidiaries, unless the note specifically states that it relates to the Bank alone or to the consolidated statements alone.

The Bank is a direct subsidiary of FIBI Holdings Ltd. (hereinafter - "Fibi Holdings"), which is controlled by Binohon Ltd. (controlled by Messrs. Tzadik Binno, Gill Binno, Hadar Binno Shmueli and Daphna Binno Orr) Dolphin Energies Ltd. (controlled by Messrs. Barry Lieberman, Cassy Lieberman-Harris, Lee Lieberman and Joshua Lieberman from Australia) and Instanz No. 2 Ltd. (controlled by Messrs. Michael and Helen Abeles from Australia). All the above controlling shareholders are parties to a voting and cooperation agreement.

For details regarding the conduct of negotiations for entering a merger transaction between Fibi Holdings and the Bank, see Note 33E, below.

The financial statements were approved for publication by the Board of Directors on March 9, 2026.

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

(2) Definitions

In these financial statements:

Accepted accounting principles in the US - Accounting principles, which US banks traded in the US are required to apply. These principles are being determined by the supervisory authorities over banks in the US, by the US Securities and Exchange Commission, by the US Financial Accounting Standards Board ("FASB") and other US entities, and are applied according to the hierarchy determined by US Accounting Standard FAS 168 (ASC 105-10), the codification of accounting standards by the US FASB and the hierarchy of accepted accounting principles. Furthermore, in accordance with a decision of the Supervisor of Banks, despite the hierarchy determined in FAS 168, it has been clarified that any position made public by the bank supervisory authorities in the US or by teams of the bank supervisory authorities in the US regarding the mode of application of generally accepted accounting principles in the US, is considered an accepted accounting principle in the US.

Consolidated subsidiaries - Companies the financial statements of which have been, directly or indirectly, consolidated with those of the Bank.

Equity-based investees - Companies, excluding consolidated subsidiaries, the investment of the Bank in which is accounted for in the financial statements, directly or indirectly, on equity basis.

Investee companies - Consolidated companies or equity-based investees.

Functional currency - The currency prevailing in the principal economic environment in which the Bank operates; generally, the currency of the environment in which the Bank generates and expends most of its cash.

Stated currency - The currency in which the financial statements are stated.

Related parties - In terms of Section 80 of the public reporting instructions.

Interested parties - In terms of Section 80 of the public reporting instructions.

CPI or Index - the Consumer Price Index in Israel published by the Central Bureau of Statistics.

Adjusted amount - An amount in nominal historical terms as adjusted on the basis of the CPI for December 2003, in accordance with guidelines prescribed in Opinions 23 and 36 of the Institute of Certified Public Accountants in Israel.

Financial reporting in adjusted terms - Financial reporting in adjusted values on the basis of changes in the general purchasing power of the Israeli currency, in accordance with guidelines prescribed by Opinions of the Institute of Certified Public Accountants in Israel.

Reported amount - An adjusted amount on the transition date (December 31, 2003), together with amounts in nominal historical terms added to it subsequently to the transition date, and less amounts deducted subsequently to that date. Cost - Cost in reported amount.

B. Basis of preparation of the financial statements

(1) Reporting principles

The financial statements of the Bank are prepared in accordance with directives and guidelines of the Supervisor of Banks.

These instructions adopt in principle the US generally accepted accounting principles (US GAAP).

(2) Functional currency and stated currency

The New Israeli Shekel (NIS) is the currency representing the principal economic environment in which the Bank operates. The consolidated financial statements are presented in NIS, rounded off to the nearest million, unless otherwise stated.

(3) Basis of measurement

The financial statements are prepared on the basis of historical cost, except for the following assets and liabilities:

- Derivative and other financial instruments that are measured according to fair value through profit and loss (such as: investment in securities included in the trading portfolio);
- Financial instruments classified as available-for-sale;
- Non-current assets held for sale and a group of assets held for sale;
- Deferred tax assets and liabilities;
- Provisions;
- Assets and liabilities relating to employee benefits;
- Investments in investee companies stated by the equity method of accounting.

The value of non-monetary assets and of capital items measured on the basis of historical cost has been adjusted to changes in the CPI until December 31, 2003, due to the fact that until that date the economy of Israel had been considered a hyper-inflationary economy. As from January 1, 2004, the Bank presents its financial statements in reported amounts.

(4) Use of estimates

Preparation of financial statements requires Management to use judgment, make 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 significant uncertainty. When using judgment in determining the assessments, Management of the Bank relies upon past experience, various facts, outside factors and upon reasonable assumptions in accordance with the circumstances applying to each assessment.

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. Accounting policy applied in the preparation of the financial statements

(1) Foreign Currency and Linkage

Transactions in foreign currency

On date of initial recognition of a transaction in foreign currency, any asset, liability, income, expense, profit or loss produced by the transaction are translated into the functional currency of the Bank in accordance with the exchange rate prevailing on date of the transaction.

At any reporting date, monetary assets and liabilities denominated in foreign currency at date of the report are translated into the functional currency according to the exchange rate in effect on that date.

Non-monetary assets and liabilities denominated in foreign currency and measured according to fair value are translated into the functional currency according to the exchange rate in effect on the date on which fair value was determined.

Non-monetary items denominated in foreign currency and measured according to historical cost, are translated at the exchange rate in effect at date of the transaction.

Gains or losses on translation of transactions in foreign currency stemming from fluctuation in currency between the date of transactions and date of settlement/balance sheet date, including exchange differences on available-for-sale debt instruments, which in accordance with the public reporting instructions continue to be recognized in the statement of profit and loss until January 1, 2027 (as stated in the transitional instructions), are recognized in the statement of profit and loss as gains or losses on translation differences (non-interest financing income).

CPI-linked assets and liabilities not measured according to fair value

CPI-linked assets and liabilities are stated according to the linkage terms determined for each item.

Following are details of representative exchange rates, of the consumer price index and of Bank of Israel interest rate, including the rates of change therein:

	December 31			Rate of change during		
	2025	2024	2023	2025	2024	2023
				%	%	%
Rate of exchange of the U.S. dollar (in NIS)	**3.190**	3.647	3.627	**(12.5)**	0.6	3.1
Rate of exchange of the Euro (in NIS)	**3.746**	3.796	4.012	**(1.3)**	(5.4)	6.9
Consumer Price Index -						
November (in points)	**103.6**	101.2	97.9	**2.4**	3.4	3.3
December (in points)	**103.6**	100.9	97.8	**2.6**	3.2	3.0
Bank of Israel interest rate (%)	**4.25**	4.50	4.75			

(2) Basis of consolidation

Consolidated subsidiaries

Consolidated subsidiaries are entities controlled by the Group. The financial statements of consolidated subsidiaries are included in the consolidated financial statements since the date on which control of these entities was acquired and until the date on which control ceased to exist. The accounting policy of consolidated subsidiaries has been changed, where required, in order to modify it to the accounting policy adopted by the Group.

Non-controlling interest

Non-controlling interest comprises the capital of a consolidated subsidiary, which may not be, directly or indirectly, attributed to the parent company.

Measurement of non-controlling interests at date of a business combination - non-controlling interests are measured at fair value at date of the business combination.

Allocation of the comprehensive income among the shareholders - Profit or loss and any other component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interest. The total profit, loss and other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests, even if this results in a negative balance of the non-controlling interests.

Transactions eliminated upon consolidation

Intercompany balances as well as income and expenses not yet realized, derived from intercompany transactions, are eliminated in the preparation of the consolidated financial statements.

(3) Investments in equity-based investees

Equity-based investees are entities in which the Group has a material influence over their financial and operating policies, but no actual control. The assumption is that an interest of between 20% and 50% in the investee confers a significant influence.

Investment in equity-based investees is treated by the equity method of accounting, and initially is recognized at cost. The cost of the investment includes transaction costs.

The investment in an equity-based investee is tested for impairment as a whole, when events or changes in circumstances indicate that the book value of the investment is not recoverable. Impairment is recognized when it is considered to be of a nature other than temporary.

The consolidated financial statements include the Group's share in the income and expenses, in the profit and loss and in the other comprehensive profit of entities treated by the equity method of accounting, from the date on which the significant influence first existed and until the date on which it ceased to exist.

(4) Basis of Recognition of Income and Expenses

- Interest income and expenses are recognized on an accrual basis, except for:
  interest accrued on troubled debts classified as non-performing loans, which is recognized on a cash basis where no doubt exists as to the collection of the remaining stated balance of the non-accruing debt. In such cases, an amount collected on account of interest to be recognized as interest income is limited to the amount that would have accrued during the reported period on the remaining stated balance of the debt according to the contractual interest rate. Cash basis interest income is classified in profit and loss as interest income in the relevant item. Where doubt exists as to the collection of the remaining stated balance of the debt, all amounts collected are used to reduce the principal amount of the loan. Furthermore, interest on housing loans in arrear is recognized in profit and loss upon actual collection.
- Commission income in respect of services provided (such as: securities and derivative instruments operations, credit cards, ledger fees, the granting of credit, currency conversion and foreign trade activity) are recognized in profit and loss upon accrual of the right thereto.
- Certain commission income, such as commission in respect of guarantees, and certain commissions regarding the finance of building projects, is recognized proportionally over the period of the transaction.
- Credit formation commissions and direct credit formation expenses are recognized over the period of the loan as adjustment of return on the loan, except in cases of loans to borrowers in financial difficulties. Where the commitment to grant the loan expires without materializing, commissions are recognized at date of expiry.
- Credit allocation commission is treated in accordance with the probability of materialization of the commitment to grant credit. Where the probability is remote, the commission is recognized by the straight-line method over the period of commitment. Otherwise, the Bank defers the recognition of income from such commission until the commitment materializes or until it expires, whichever is earlier. Upon realization of the commitment, the

commission is recognized by way of adjustment of the return over the period of the loan, as stated above. Where the commitment expires without being materialized, the commission is recognized at date of expiry.

- Change in terms of a debt - in the event of refinancing of or change in terms of debts, the Bank examines whether the terms of the loan had been changed materially. Accordingly, the Bank examines whether the present value of future cash flows in accordance with the new terms of the loan has changed by at least 10% from the present value of the remaining cash flows according to the present terms (with the addition of a premature redemption commission). In such cases, all yet unamortized commissions and premature redemption commissions charged to the borrower in respect of the change in credit terms are recognized in profit and loss. Otherwise, these commissions are included as part of the net investment in the new loan and recognized as adjustment of return, as stated above.
- Premature redemption commission - Premature redemption commissions are immediately recognized as part of interest income, except for commissions, as stated, which are included as part of the net investment in the new loan and recognized as adjustment of return.
- Securities - see Item (6) below.
- Derivative financial instruments - see Item (7) below.
- Other income and expenses - recognized on an accrual basis.

(5) Non-accruing debts, credit risk and provision for credit losses

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

The Bank has determined procedures for the identification of troubled credit and classification of debts for the purpose of distinguishing between debts classified as troubled, including non-accruing, and performing debts. In accordance with these procedures, the Bank classifies all its troubled 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 troubled debts, the Bank distinguishes between:

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

   Determination regarding the classification of the debt and the required allowance in respect thereof is based, inter alia, 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. In addition, debts of borrowers in financial difficulties the terms of which had been changed, will be classified as non-accruing credit at date of the change.

   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.
2. Credit to private individuals, residential credit 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 days or over, are classified as inferior debts though the Bank does not discontinue the accrual of interest income in their respect, with the exception of residential loans which are classified as non-accruing interest income, when the payment of principal or interest is in arrears of 90 days or over.

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

Debt arrangement policy and treatment of changes in terms of debts of borrowers in financial difficulties

The Bank has determined and is implementing a policy for creating troubled debt arrangements as well as changes in terms of debts not identified as troubled. Methods for changes in debt terms may include, among other things, deferment of payment dates, lowering of interest rates or of the periodic repayment amounts, changing the debt terms in order to adapt them to the financing structure of the borrower.

The Bank's debt arrangement policy is based upon criteria that allow the Bank's Management to apply discretion as to whether the loan repayment is expected, and which is applied only if the borrower has demonstrated his ability to repay the debt and is expected to abide by the terms of the new arrangement.

In order to determine as to whether the debt arrangement made by the Bank constitutes a change of terms of debts of borrowers in financial difficulties, the Bank conducts a qualitative and quantitative examination of all terms of the arrangement and the circumstances in which it was made.

In order to determine as to whether the borrower is in financial difficulties, the Bank examines if signs exist indicating difficulties at date of the arrangement or if there is a reasonable possibility of the borrower facing financial difficulties were it not for the arrangement. Among other things, the Bank examines if one or more of the following circumstances exist:

- The debtor is currently in default on any of its debts. In addition, the Bank examines whether it is expected that the debtor will be in default on any of its debts in the foreseeable future, without the change being made. That is, the Bank may conclude that the debtor is in financial difficulties, even if the debtor is not currently in default.
- The debtor has announced that he is in bankruptcy or other receivership or is in the process of bankruptcy or other receivership.
- There is substantial doubt that the debtor will continue to exist as a going concern.
- The debtor has securities that have been delisted, are in the process of being delisted, or are under threat of being delisted from a stock exchange.
- Based on estimates and projections that include only the debtor's existing capabilities, the Bank expects that the debtor's entity-specific cash flows will not be sufficient, in the foreseeable future, to service any of its debts (principal and interest) in accordance with the contractual terms of the existing agreement.
- Without the existing change, the debtor cannot receive cash from sources other than existing lenders at an effective interest rate equal to the prevailing market interest rate for a similar debt of a non-problematic debtor.

The Bank does not classify a debt arrangement as a change in the terms of debts of borrowers in financial difficulties if the change results in an insignificant delay in payment considering the frequency of payments, the contractual period for repayment and the original expected period of the debt.

In this regard, if several arrangements have been made involving changes to the terms of the debt, the Bank takes into account the cumulative effect of the previous arrangements made over a 12-month period to determine whether the delay in payment resulting from the debt arrangement is negligible.

A debt of a borrower in financial difficulty whose terms have been changed may be classified as debt that accrues or does not accrue interest income at the time of the change.

Also, classification of debt of a borrower in financial difficulties that has undergone a change in terms does not automatically result in the need to classify the debt in a troubled classification.

At the time of the change in conditions, the Bank performs an updated assessment of the required classification, taking into account all factors relevant to the assessment of the risk, including the extent of the debtor's financial difficulties and the ability to repay under the new terms, while examining the debtor's ongoing historical repayment performance.

In addition, classifying a debt of a borrower in financial difficulties that has undergone a change in terms as troubled debt does not automatically mean that the debt will remain in a troubled classification for the remainder of its life, even if the debt was classified as troubled prior to the date of the change in terms or on the date of the change.

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 components of the debt that are due and have not been paid, and the bank expects payment in full of the remaining principal amount of the debt and interest, in accordance with the contractual terms (including amounts written-off accounting wise or allowed for);
2. When the debt becomes well secured and is in process of collection.

Furthermore, with respect to a debt of a borrower in financial difficulties that had undergone a change in terms, 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 change in terms if the payments match the updated terms. Otherwise, a debt of a borrower in financial difficulties that had undergone a change in terms must continue to be classified as a non-accruing debt.

Allowance for credit losses – measurement

As stated above, starting with January 1, 2022, the Bank applies the generally accepted accounting principles in the US 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 measurement of the allowance for credit losses, in order to recognize an allowance at an appropriate level to cover expected credit losses in relation to its credit portfolio. In addition, the Bank has determined procedures required to measure an allowance at an appropriate level 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 allowance 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 effecting a change in terms for a borrower in financial difficulties, 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 collectability of the financial assets.

As a general rule, computation of the allowance 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 allowance for expected credit losses in accordance with one of the methods for the measurement of the allowance stated in the Standard, which in the opinion of the Bank, is expected to reflect the best assessment of the allowance 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 collectability, 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 classification, policy and procedures of the Bank regarding the granting of credit, including changes in credit granting strategy, underwriting procedures, etc.

In cases where the period determined by the Bank is reasonable and well based and is shorter than the period to maturity of the financial asset, then the Bank reverts to the use of the historical data that had not been modified in respect of existing economic conditions or in respect of expected future economic conditions, such as: changes in the rate of unemployment, value of assets, value of commodities, arrears and more. Reversal to the use of historical losses may be made by one of the following methods: (1) immediate reversal; (2) reversal on the straight-line basis; (3) use of another logical and methodical basis. For information in respect of the chosen methods, see the reference hereinafter.

Allowance 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 allowance for expected credit losses using 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 reverts to the use of historical information that is not immediately modified to the forecast.

Allowance for credit losses – residential credit

In respect of the residential credit portfolio, the Bank measures the allowance 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 reverts to the use of unmodified historical information, using the straight-line basis over a period of five years, which represents approximately one half of the average lifespan of the portfolio.

Allowance for credit losses – commercial credit

In respect of most of the commercial credit portfolio, the Bank measures the allowance for expected credit losses using a method based on the weighted average remaining maturity (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.

Allowance for credit losses – credit to governments and banks

In respect of credit to governments and banks, the Bank measures the allowance 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.

Allowance 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 allowance 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 allowance 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.

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

In respect of securities included in the held-to-maturity portfolio, the Bank measures the allowance 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.

Allowance for credit losses – available-for-sale bonds

The Bank measures expected credit losses regarding available-for-sale bonds at each reporting date on which 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 impairment stems from credit losses or from other factors. Impairment stemming in relation to credit loss, is recognized by means of an allowance for credit losses, while impairment not recognized by means of an allowance for credit loss, is recognized in other comprehensive profit, net of tax.

In accordance with guidelines stated in Item 326 of the Codification, the Bank computes the allowance for expected credit losses regarding available-for-sale securities , on a specific basis, according to the discounted cash flows method, by which the Bank compares the discounted value of expected future cash flows, determined on the basis of past events, present conditions and on supported reasonable forecasts (such as: segmental, geographic, economic and political factors, relevant to the ability of collection of the particular bonds), to the written-down cost base of the security. The said allowance 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 allowance 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 allowance for credit losses not written-off accounting wise, is cancelled by reducing the credit loss expense.

Allowance 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 allowance 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 allowance 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 allowance

In addition to the above, the Bank tests the overall adequacy of the credit loss allowance. 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 allowance.

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 allowance 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, unrecognized interest, allowances 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 is in default for 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 allowance 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 13 regarding "credit risk, credit to the public and allowance for credit losses", as well as Note 29 regarding "additional information regarding credit risk, credit to the public and allowance for credit losses".

(6) Securities

- The bank's investments in securities are classified, into three portfolios, as follows:
  - Held to Maturity Bonds - bonds, which the Bank has the intention and ability to hold until their redemption date, excluding bonds which may be prematurely redeemed or settled in another way so that the Bank might not cover substantially all of its recorded investment therein. Held to maturity bonds are stated at cost with the addition of exchange or linkage increments and interest accrued, as well as the unamortized amount of discount or premium and less a loss in respect of the allowance for credit losses and losses stemming from accounting write-offs (following impairment).
  - Available-for-Sale Bonds - bonds not classified as bonds held to maturity or as trading securities. Available for sale bonds are stated in the balance sheet at their fair value on the reporting date. Unrealized gains or losses from adjustment to fair value are not reflected in profit and loss but are stated net of an appropriate tax allowance, in a separate item of shareholders' equity, as part of other cumulative comprehensive profits, except for losses in respect of an allowance for credit losses and loss on accounting write-offs (due to impairment).
  - Trading Securities - securities purchased and held for sale in the near future or securities which the Bank elects to measure at fair value through profit and loss, according to the fair value alternative, excluding shares in respect of which fair value is not readily available. Trading securities are stated at their fair value on the reporting date. Unrealized gains or losses on adjustment to fair value are reflected in the statement of income.
  - Shares not held for trading
    - Shares in respect of which fair value is readily available are stated in the balance sheet at fair value as of the reporting date. Unrealized gains or losses on adjustment to fair value are reflected in the statement of income.
    - Shares in respect of which no readily available fair value exists are stated in the balance sheet at cost, net of impairment and with the addition or deduction of changes in observable prices of regular transactions in similar or identical investments of that same issuer. Unrealized gains or losses on adjustment to changes in observable prices, as stated, are reflected in the statement of income.
- Dividend income, accrued interest, exchange and linkage increments, amortization of premium or discount (according to the effective interest method) as well as allowances for credit losses and loss on accounting write-offs (due to impairment) are reflected in the statement of income.
- The cost of realized securities is based on the "first in first out" method.
- See Item (8) hereunder regarding the computation of fair value.
- See Item (9) hereunder regarding the treatment of impairment of securities.

(7) Derivative Financial Instruments including hedge accounting

The Bank holds derivative financial instruments for the purpose of hedging exposure to certain risks (such as: interest risk, foreign currency risk) as well as derivatives not used as hedge, including separated embedded derivatives. As a general rule, derivatives are initially recognized at fair value. Following initial recognition, the derivatives are measured at fair value, changes in fair value being treated as described hereunder:

Hedge accounting

The Bank is exposed to interest risk stemming, among other things, from its investments in fixed interest bonds. As part of the general strategy of the Bank for the management of exposure level to this risk, the Bank designates certain financial instruments as fair value hedge.

At date of beginning the hedge relations, the Bank formally documents the hedge relations and the purpose of its risk management and strategy for conducting the hedge. Documentation includes identification of each of the following: the hedge instrument, the hedged item or transaction, the substance of the hedged risk, and the method to be used by the Bank for the assessment of the effectiveness of the hedge relations, offsetting exposure to changes in fair value of the hedged item (in a fair value hedge) attributed to the hedged risk.

Fair value hedge

The Bank designates derivative instruments as hedge for exposure to changes in fair value of an asset or liability, or an identified part thereof, which may be attributed to a certain risk.

Where a derivative instrument is used as a hedge instrument for fair value, the changes in its fair value included in the assessment of the effectiveness of the hedge, are recognized on a current basis in profit and loss and are presented in the same item in which the effect of the hedged item is presented. The profit or loss (namely, the changes in fair value) in respect of the hedged item that is attributed to the hedged risk, is treated as adjustment to the book value of the hedged item, and is recognized on a current basis in profit and loss. The adjustment to the book value of the hedged item shall be treated in a similar manner to other components of its book value.

The Bank ceases to apply hedge accounting when: the criteria for the application of hedge accounting no longer exist, the derivative instrument expires, is sold, cancelled or is realized, or when the Bank cancels the designation of the hedge relations.

Economic hedge

Hedge accounting is not applied in the case of derivative instruments used as part of the asset and liability management layout of the Bank (ALM). Changes in fair value of such instruments are reflected in profit and loss as they occur and are presented in the item "non-interest financing income".

Derivative instruments not used for hedge standing on their own

Derivative instruments not used for hedge purposes and which are standing on their own, are measured at fair value and presented in the balance sheet in items of assets or liabilities in respect of derivative instruments. Changes in their fair value are recognized on a current basis in profit and loss and presented in the item "non-interest financing income".

Embedded derivative instruments that were separated and not used for hedge

Embedded derivative instruments are separated from the host contract and treated separately as derivative instruments in accordance with sub-item 815-10 of the Codification, when: (1) the economic characteristics and the risks of the embedded derivative instrument are not clearly and closely connected to the economic characteristics and risks of the host contract; (2) the instrument involved is not remeasured on the basis of its fair value in accordance with other suitable accepted accounting principles, together with the recognition of changes in fair value in profit and loss as they occur; and (3) a different instrument having the same terms of the embedded derivative instrument agrees with the definition of a derivative.

In certain cases (such as cases where the Bank is unable to separate the embedded derivative from the host contract), the Bank elects to measure the hybrid financial instrument as a whole at fair value, while reporting changes in fair value in profit and loss. The said election is made upon acquisition of the hybrid instrument or when certain events occur in which the instrument is subject to remeasurement (a remeasurement event), such as a business combination or material changes taking place in the debt instrument. Election of measurement according to fair value, as stated, is irrevocable and is made in respect of each instrument separately.

(8) Fair value determination for financial instruments

Fair value is defined as the amount/price which would be received from the sale of an asset or paid in settlement of a liability in a regular transaction between willing parties at date of measurement. Among other things, for the purpose of

assessing fair value, the Standard requires that, as far as possible, maximum use should be made of observable inputs, while reducing the use of unobservable inputs. Observable inputs reflect information available on the market received from independent sources, while unobservable inputs reflect the assumptions of the banking corporation. Sub-item 820-10 of the Codification details the hierarchy of measurement techniques, based on the question whether inputs used for the determination of fair value are observable or unobservable. These classes of inputs create a fair value grading as detailed below:

- Level 1 inputs: quoted prices (non-adjusted) on active markets for identical assets and liabilities, to which the Bank has access at measurement date.
- Level 2 inputs: observable data, directly or indirectly, for the asset or liability, which are not quoted prices included in Level 1.
- Level 3 inputs: unobservable inputs for the asset or liability.

Securities

The fair value of trading securities, available-for-sale bonds and of shares not held for trading is determined on the basis of quoted market prices on the principal market. Where several markets on which the security is traded exist, the assessment is made according to the quoted price on the most useful market. In such cases, the Bank's fair value of the investment in securities is the multiplication of the number of units by that same quoted market price. The quoted price used for the determination of fair value is not adjusted for the size of the position of the Bank relatively to the volume of trading (the block holding factor). Where no quoted market price is available, the assessment of fair value is based on the best available information, while making maximum use of observable inputs, taking into consideration the risk inherent in the financial instrument (market risk, credit risk, non-trading and such like). Excluding shares not held for trading that have no readily available fair value and are measured as detailed in item (6) above.

Derivative financial instruments

Derivative financial instruments that have an active market are assessed at market value determined on the principal market, and in the absence of a principal market, according to the price quoted on the most useful market. Nonmarketable derivative financial instruments are assessed on the basis of models that take into account the risk inherent in the derivative instrument (market risk, credit risk, etc.). For further details, see below for assessment methodologies of credit risk and non-performance risk.

Additional non-derivative financial instruments

No "market price" is available for most of the financial instruments in this category (such as: credit granted to the public, credit to the government, deposits from the public, deposits with banks, subordinate debt notes and non-tradable securities) because these are not traded on any active market. Accordingly, fair value is assessed using accepted pricing models, such as the present value of future cash flows discounted at a discount rate reflecting the level of risk inherent in the financial instrument. For this purpose, future cash flows in respect of non-accruing debts and other debts have been computed after the netting of the effect of accounting write-offs and provisions for credit losses in respect of the debts.

Evaluation of credit risk and of nonperformance risk

FAS 157 (ASC 820) requires a banking corporation to reflect credit risk and nonperformance risk in measuring the fair value of a debt, including derivative instruments that were issued by it and measured according to fair value. Nonperformance risk includes the credit risk of the banking corporation but is not limited to that risk only. For a more extensive discussion as regards the principal methods and assumptions used for assessment of fair value of the financial instruments, see Note 32 "Balances and fair value assessments of financial instruments".

(9) Impairment of financial assets

Securities - bonds available for sale or which are held to maturity

See Item (5) above.

Securities - shares that have no readily available fair value

At each reporting period, the Bank performs a qualitative assessment, which takes into account impairment indicators in order to estimate whether impairment has occurred regarding the investment in shares that have no readily available fair value. Where, according to such assessment, impairment of the investment in shares has occurred, the Bank assesses the fair value of the investment for the purpose of determining the amount of loss on impairment.

Credit to the public and outstanding debt

See Item (5) above.

(10) Offsetting of financial assets and liabilities

The Bank offsets assets and liabilities deriving from the same counterparty, stating their net balance in the balance sheet, if the following cumulative conditions exist:

a. In respect of such liabilities, a legally enforceable right of setoff of liabilities against assets exists;
b. Intention exists to settle the liabilities and realize the assets either on a net basis or concurrently.
c. Both the Bank and the counterparty owe one another determinable amounts.

The Bank offsets assets and liabilities with two different counterparties and states in the balance sheet the net amount if all the above cumulative conditions exist and on condition that an agreement exists between the three parties which clearly establishes the right of the Bank for set-off of the said liabilities.

The Bank offsets deposits, the repayment of which to the depositor is conditional upon the extent of collection of the loans granted out of such deposits, and where the Bank has no risk of loss from such loans.

(11) Transfers and service of financial assets and the settlement of liabilities

The Bank applies the measurement and disclosure rules determined within the framework of the instructions of Sub-Item 860-10 of the Codification in the matter of transfer and service of financial assets for the purpose of treatment of transfers of financial assets and settlement of liabilities.

According to the said rules, the transfer of a financial asset shall be treated accounting wise as a sale, if and only if all the following conditions exist: the transfer of a financial asset in entirety, of a group of financial assets in entirety, or of a participating interest in a financial asset in entirety, by which the transferor bank waives control over the said financial assets, is recorded as a sale, if and only if, all the following conditions exist: (1) the transferred financial assets had been isolated from the transferor and are beyond the reach of the transferor and his creditors also in the case of bankruptcy or other type of receivership; (2) any transferee of the asset has the right to pledge or exchange the asset (or the beneficiary rights) received by him, and no conditions exist which also restrict the transferee from using his right to pledge or exchange the asset and which also grants the transferor a larger than just a trivial benefit; and (3) the transferor does not retain effective control over the transferred financial assets.

In the event that the Bank performs a transfer of a part of an entire financial asset, the Bank examines as to whether such transfer conforms to the definition of a participating interest. A participating interest has all the following characteristics: (a) from date of transfer onwards, it represents a pro-rata ownership right in the entire asset; (b) from date of transfer onwards, all cash flows received from the entire financial asset are divided proportionately among holders of the participating interest, in amounts equal to their share in ownership; (c) the rights of all holders of participating interests (including the transferor in his role as a holder of a participating interest) have identical priority, and no right of any holder of a participating interest is inferior to the right of another holder of a participating interest;

and (d) no party has the right to pledge or change the entire financial asset, unless all holders of participating interest agree to pledge or exchange the entire financial asset.

To the extent that the transfer fulfills the conditions for recording it as a sale, the Bank removes the transferred financial assets and recognizes at fair value the assets received and the liabilities created as a result of the sale (assets received and liabilities created). The difference between the fair value of the net receipt and the book value of the financial assets sold is recognized in the statement of profit and loss.

In the event that the transfer does not conform to the terms of a sale, as stated above, or if a transfer of a part of an entire financial asset does not conform to the definition of a participating interest, then the said transfer is treated as a secured borrowing with a pledge of collateral. The Bank continues to record in the balance sheet the financial assets transferred, with no change in the measurement thereof.

Furthermore, in accordance with an update to Bank of Israel instructions regarding the improved use of financial statements for the years 2017 and 2018, the disclosure requirements regarding syndication transactions were updated. See Note 29 regarding "Additional information regarding credit risk, credit to the public and provision for credit losses".

Settlement of liabilities

The Bank deletes a liability if, and only if, that liability had been settled, namely, one of the following conditions exist: (a) the Bank has paid the lender and is released from his commitment with respect to the liability, or (b) the Bank has been legally released, either by legal proceedings or with the consent of the lender, from being the principal debtor in respect of the liability.

Transactions regarding the lending of securities managed as credit transactions

The Bank applies specific instructions determined in the public reporting instructions for the treatment of securities lending or borrowing transactions, in which the lending is made against the general credit quality and the general collateral of the borrower, where the borrower does not transfer to the lender as collateral liquid instruments that specifically relate to the securities lending transaction, and which the lender is permitted to sell or pledge them.

Treatment of non-secured lending of securities held in the available-for-sale portfolio or in the trading portfolio

On the day that the Bank lends securities to cover short sales by the borrower, the Bank deletes the securities on loan, recognizing credit granted in the amount of the market value of the securities on the lending day. In following periods, the Bank measures the credit granted in the same manner in which the securities had been measured prior to the lending thereof. The credit is measured at market value. Income on an accrual basis in respect of such securities is recognized as interest income from credit and changes in market value (over and above the changes in the accrual basis) are recognized as part of non-interest financing income, when the securities in question are included in the trading portfolio, or as part of other comprehensive profit, in the case of available-for-sale bonds. Upon the termination of lending, the Bank recognizes again the securities and deletes the credit.

Treatment of non-secured borrowing of securities

The non-secured borrowing of securities by the Bank is recorded on the borrowing date as a deposit, at the fair value of the securities received on the borrowing day. The securities received are recognized in the "Securities" item and are classified to the trading portfolio. So long as the Bank does not short sell the security borrowed, the Bank records at each reporting period the difference, whether positive or negative, between the market value of the security at the reporting date and the balance recorded as a deposit from the public (or other deposit if the borrowing was not from the public). Changes in this item in the reported period stemming from changes in market value of the security are recorded as "non-interest financing income" (these changes offset the gains or losses recorded in profit and loss in respect of the security which was not as yet short sold).

When the Bank short sells a borrowed security, the Bank examines at any reporting date, whether the difference between the market value of the short-sold security at the reporting date and the balance in respect of the non-secured borrowing transaction included in deposits from the public (or in other deposits if the borrowing was not from the public) is positive. In the case that the said difference is positive, it is recognized and reported as "non-interest financing income" in profit and loss.

(12) Fixed assets (buildings and equipment)

Recognition and measurement

Fixed asset items, including investment real estate, are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure directly attributable to the purchase of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, as well as any other costs that may be directly attributable to bringing the asset to the place and condition required for it to operate in the manner planned by Management.

Cost of acquired software, which forms part of the operation of related equipment, is recognized as part of the cost of the said equipment.

Gain or loss on disposal of a fixed asset are determined by comparing the consideration received on disposal to the stated value of the asset and are recognized, net, in the item “Other income” in the statement of profit and loss.

Depreciation

Depreciation is charged to profit and loss by the straight-line method over the estimated useful life of each part of the fixed asset items, as this method reflects in the best manner, the anticipated consumption format of the future economic benefits inherent in the asset. Assets on lease are depreciated over the shorter of the lease period or the useful lives of the assets. Land owned by the Bank is not depreciated.

An asset is being depreciated when it is available for use, namely, when it reached the place and condition required for it to operate in the manner planned by Management.

The assessments regarding the depreciation method, the useful lives and the residual value of assets are re-examined when events or changes in circumstances indicate that the present assessments are no longer applicable, and are modified, where required.

Impairment

The Bank tests noncurrent assets (or group of assets) for impairment when events or changes in circumstances indicate that the written down cost may not be recoverable.

For the purpose of examination and measurement of impairment, the Bank groups together an asset (or a group of assets) with other assets and liabilities at the lowest level possible which produces cash flows that are not dependent on cash flows produced by other groups of assets and liabilities. Recognized losses on impairment are taken only to the asset (or group of assets) to which Item 360 of the Codification applies.

Losses on impairment are recognized only if the book value of a noncurrent asset (or group of assets) is not recoverable and exceeds its fair value.

Book value is considered irrecoverable if it exceeds the total noncapitalized cash flow expected to be derived from use of the noncurrent asset (group of assets) and its disposal.

Loss on impairment amounts to the difference between the book value of the noncurrent asset (or group of assets) and its fair value, and is reflected in the statement of profit and loss.

When a loss on impairment is recognized, the adjusted book value of the noncurrent asset (or group of assets) comprises a new cost basis. The loss recognized on impairment is not reversed in following periods, even if an increase in value of the noncurrent asset occurs.

(13) Leasing

Contracts which grant the Bank control over the use of an asset within the framework of a lease for a period of time in return for consideration are treated as leases. Upon initial recognition, a liability is recorded in the amount equal to the present value of the future lease payments over the lease period (these payments do not include variable lease payments), and in parallel, a right of use asset is recognized in the amount of the liability in respect of the lease, adjusted for lease payments paid in advance or accrued, and net of lease incentives, with the addition of accrued direct expenses in respect of the lease.

The lease period is determined as the period in which the lease may not be terminated, together with periods covered by an option for extension or for termination of the lease, where it is reasonably certain that the lessee would exercise or not exercise the option, respectively, and together with periods covered by an option to extend or not to terminate the lease, where the right to exercise the option is controlled by the lessor.

The Bank has elected to apply the practical mitigation according to which short-term leases of up to one year are treated in a way that the lease fees are recognized in profit and loss by the "straight line" method, over the period of the lease, with no recognition of a right of use asset and/or a liability in respect of the lease in the financial condition report.

In the case of lease of land and buildings, the land and buildings components are tested separately for the purpose of classification and measurement, where a significant consideration in classifying the land component is the fact that generally land has an indeterminate lifespan.

The Bank has elected to apply the practical mitigation of not separating from the lease components, those components that do not comprise a lease, such as services or maintenance, treating them as a single lease component.

Consecutive measurement

Following the initial recognition, a liability in respect of an operating lease is measured at amortized cost in accordance with the effective interest method. Likewise, the Bank tests a right of use asset (in respect of both operating and financial leases) for the purpose of impairment in accordance with sub-item 360-10-35 of the Codification regarding impairment of fixed assets.

Operating lease payments

The lease payments, excluding variable lease payments, are recognized in profit and loss according to the "straight line" method, over the period of the lease. Lease incentives received are recognized as an integral part of total lease expenses according to the "straight line" method, over the period of the lease. Variable lease payments dependent on the CPI or on the interest rate, are recognized in profit and loss in the lease period. Variable lease payments not dependent on the CPI or on the interest rate, are recognized in profit and loss in the period in which it is expected that the specific target leading to changes in the lease payments would be reached, and these would be cancelled in the period in which it is no longer expected that the specific target would be reached.

At each consecutive reporting date, the right of use asset is recognized in the amount of the amortized cost of the liability in respect of the lease, adjusted for lease payments paid in advance or which had accrued, net of lease incentives and with the addition of not yet amortized direct costs, net of losses on impairment accrued in respect of the right of use asset.

(14) Intangible assets

Costs of software for own use

Software purchased by the Group is measured at cost, which generally includes the cost of the transaction, less accumulated amortization and losses on impairment.

The Bank capitalizes costs related to software development for internal use only when: (1) the preliminary stage of the project had been completed; and (2) Management, having the appropriate authority, has approved and has committed

to finance, directly or indirectly, the project for the development of software and it is expected that the development would be completed.
Upon development or obtaining software for own use, the Bank capitalizes the following costs: direct costs of materials and services consumed, cost of payroll for employees directly connected with the development or obtaining the software. Other costs incurred in respect of development work and costs in the preliminary stage of the project, are recognized in profit and loss as incurred.

Subsequent costs

The cost of upgrading and improvement of software for internal use is capitalized only if it is expected that the incurred costs would lead to additional functionality. Other subsequent costs are recognized as an expense as incurred.

Amortization

Intangible assets created by software projects are amortized to profit and loss by the "straight-line" method over the estimated useful life of the software, beginning with the date on which the software is ready for its intended use. In this respect, software is ready for its intended use when all material examinations thereof have been completed.

Assessment of the useful lives of software costs for the reported and comparative periods is five years.
The assessments regarding the useful lives of intangible assets having a defined lifespan are re-examined on a periodic basis in order to determine whether events or circumstances justify a change in the remaining amortization period, which is accordingly adjusted, where required.

Impairment

The Bank tests for impairment intangible assets having a determinable lifespan, when events or changes in circumstances occur, indicating that the written down cost may not be recoverable. Losses on impairment are recognized only if the book value of the intangible asset is irrecoverable and exceeds its fair value. The book value is considered irrecoverable if it exceeds the total cash flows in noncapitalized values, expected to be derived from the use of the asset and its final disposal.
Loss on impairment amounts to the difference between the book value of the intangible asset and its fair value, and is reflected in the statement of profit and loss.
When a loss on impairment is recognized, the adjusted book value of the intangible asset comprises a new cost basis. The loss recognized on impairment is not reversed in following periods, even if an increase in value of the intangible asset occurs.

Hereunder are examples of events or changes in circumstances indicating impairment of in-house development costs of computer software:

1. It is not anticipated that the software will provide significant potential services;
2. A significant change has occurred in the manner or scope of use of the software or in its anticipated use;
3. A material change in the software was performed or would be performed in the future;
4. The development costs or the cost of conversion of the software intended for internal use, significantly exceed anticipated costs.

When it is no longer expected that development of the software would be completed, the Bank adjusts the book value of the software so that its amount would be the lower of its book value or its fair value, net of sale costs. In this respect, a disputable assumption exists that the fair value of the software in such a case is worthless.

(15) Employee rights

Post-retirement benefits - pension, severance compensation and other benefits (hereinafter -"compensation") - defined benefits plans

Pension benefits comprise a part of the compensation payable to an employee in return for his services. In a defined benefit pension plan, the Bank is committed to provide, in addition to current wages, severance compensation upon retirement or termination of employment. On a general level, the amount of benefit payable is dependent on certain future events included in the benefit formula of the plan, which often includes the number of years of service of the employee and the compensation earned by him in the years immediately prior to his retirement or termination.

The net cost of pension for a period is the amount recognized in the financial statements of the Bank as the cost of the pension plan for a given period. The component of the net cost of pension for the period is the cost of service, the cost of interest, the actual return on assets of the plan, profit or loss, amortization of cost or credit in respect of prior service, and the amortization of an asset or liability in respect of the transition existing at date of initial implementation, in accordance with the public reporting instructions. The term "net pension cost for the period" is used instead of "net pension expense for the period", due to the fact that a part of the recognized cost for the period might be capitalized together with additional costs as part of an asset, for example: software for internal use.

In this respect, profit or loss is the amount of (1) the difference between the actual return on assets of the plan and the forecasted return on the assets of the plan, and of (2) the deduction of the net profit or loss recognized in other cumulative comprehensive earnings.

Pension benefits are generally attributed to periods of service of an employee, based on the benefit formula of the plan, to the extent that the formula states such attribution or that attribution is inferred there from.

The Bank computes the forecasted long-term return on the assets of the plan using historical rates of return over a long period of time relating to a portfolio having a similar composition of assets. For this purpose, the Bank uses available market data as regards each of the significant categories of assets in the portfolio, and averages them in accordance with the composition of the plan's assets.

The commitment in respect of the forecasted benefit reflects the present actuarial value of all benefits attributed to the service of the employee provided prior to balance sheet date. The measurement of this commitment is based on appropriate actuarial assumptions at date of the balance sheet of the Bank (for example: replacement, mortality, discounting rates etc.).

In the event that the commitment in respect of the forecasted benefit exceeds the fair value of the plan's assets, the Bank recognizes in the balance sheet a liability equal to the amount of the unfunded commitment in respect of the forecasted benefit. Where the fair value of the assets of the plan exceeds the commitment in respect of the forecasted benefit, the Bank recognizes in the balance sheet an asset in an amount equal to the overfunded amount in respect of the forecasted benefit.

The Bank collects together the positions of all overfunded plans and recognizes this amount as an asset in the balance sheet. Similarly, the Bank collects together the positions of all under-funded plans and recognizes this amount as a liability in the balance sheet.

The Bank reviews its assumptions on a quarterly basis and revises such assumptions accordingly.

A change in the value of a commitment in respect of a forecasted benefit or in the value of assets of a plan, stemming from actual experience, which is different from the forecast, or which stems from a change in the actuarial assumptions, constitutes "profit or loss" (hereinafter - "actuarial profit or loss"). Actuarial profits or losses are not recognized as part of the net cost of pension for the period when incurred, but are recognized in other comprehensive earnings. In following periods, such profits or losses are later recognized in profit and loss as a component of the net cost of pension for the period according to the "straight line" method over the remaining average period of service of the employees expected to enjoy the benefits under the plan.

The Bank recognizes profits or losses in respect of settlements effected under its defined benefit programs, when the expected one-time payments related to the program would be higher than the total cost of the service and the cost of the annual interest. The amount of the profit or loss is calculated in accordance with the percentage of the rate in which the actuarial liability declined as a result of the settlement, multiplied by the balance of the actuarial profits and losses accumulated in other comprehensive earnings.
The discounting rate regarding the benefits to employees is computed on the basis of the return on Israeli government bonds with the addition of the average spread on corporate bonds rated AA (international) and above, at reporting date. For practical considerations, the spread is determined according to the difference between the rates of return to maturity, according to maturity periods, on US corporate bonds rated AA and above, and the rates of return to maturity, for the same maturity periods, on US government bonds, everything at date of reporting.
The Bank follows the guidelines of the Supervisor of Banks regarding internal control over the financial reporting process in the matter of employee rights, including the matter of examining a "commitment in substance" to grant its employees benefits in respect of enlarged severance compensation.

Post-retirement benefits - defined deposit plan

A defined deposit plan is a plan that provides post-retirement benefits in consideration for services provided, maintains a personal account for each participant in the plan, and defines the manner of deposits made to the account of the employee instead of determining the amount of benefits to be paid to the employee. In the post-retirement defined deposit plan, the benefits that the participant in the plan would receive are dependent only on the amount deposited into the account of the participant in the plan, on the return accumulated of the assets of such deposits, and on the forfeiture of benefits of other participants that might be allocated to the account of that participant.
Where it is required that the defined deposits of a plan to the account of a person shall be made for periods in which this person provides services, the net cost of pension or the net cost of other post-retirement benefit for the period, shall be the required deposit for that period.
The commitment of the Bank for the payment of severance compensation in accordance with Section 14 of the Severance Compensation Act is treated as a defined deposit plan.

Other post-retirement benefits

The Bank recognizes the non-discounted amount of the current benefit at the date of granting the service. In addition, the Bank accumulates the liability during the relevant period, which is determined in accordance with the rules applying to other post-retirement benefits.

Paid leave of absence

The Bank accumulates a liability in respect of compensation of employees during future periods of leave of absence, if all the following conditions exist: (a) the commitment of the Bank regarding the right of employees to receive compensation in respect of future periods of leave of absence is attributed to services already provided by the employees; (b) the commitment relates to vesting or accumulated rights; (c) payment of the compensation is expected; (d) the amount may be reasonably estimated.
Vacation - the Bank accumulates the liability over the determined relevant period. For the purpose of computing the liability, actuarial assumptions and discounting rates are not taken into account. All components of the cost of the benefit for the period are immediately recognized in profit and loss.
Sick leave - no liability is being accumulated in respect of paid sick leave.

Award payable at termination of employment in respect of unutilized sick leave

The Bank accumulates this liability as leave of absence entitled to compensation over the determined relevant period. For the purpose of computing the liability, actuarial assumptions and discounting rates are taken into account. All

components of the cost of the benefit for the period, including actuarial profits or losses, are immediately recognized in profit and loss. In determining the discounting rate of interest and the manner of allocation to periods of cost of the service, the Bank applies the rules applying to defined benefits pension plans, with the required modifications.

Other long-term benefits to active employees - seniority awards

The liability is accumulated over the period entitling to the benefit. For the purpose of computing the liability in respect of such benefit, actuarial assumptions and discounting rates are taken into account. All components of the cost of the benefit for the period, including actuarial profits or losses, are immediately recognized in profit and loss.

(16) Contingent Liabilities

The financial statements include appropriate provisions for claims, in accordance with assessments of Management based on opinions of its legal advisors. The disclosure format is in accordance with directives of the Supervisor of Banks, which classify claims submitted against the Bank into three groups:

1. Probable - prospects of risk materializing is of over 70%. A provision is included in the financial statements in respect of a claim classified under this group.
2. Reasonably possible - prospects of risk materializing is between 20% and 70%. No provision is included in the financial statements in respect of a claim classified under this group, but only disclosure as stated below.
3. Remote - prospects of risk materializing is below 20%. No provision is included in the financial statements in respect of a claim classified under this group, but only disclosure as stated below.

A claim, in respect of which the Supervisor of Banks determined that the Bank is required to refund amounts, is classified as "probable" and a provision therefore is included in the financial statements in the amount required to be refunded.

In rare cases, where Management, based on opinion of its legal advisors, decides that it is not possible to assess the prospects of a risk exposure materializing with respect to an ordinary law suit and to a suit approved as a class action suit, therefore, the Bank does not include a provision in this respect.

Note 25 regarding contingent liabilities and special commitments contains a quantitative disclosure regarding all exposures, the probability of their materializing is not remote and in respect of which a provision is not included. Furthermore, disclosure is provided in respect of any claim the amount of which exceeds 1% of the equity of the Bank. Disclosure is also provided in respect of claims, the results of which cannot be estimated at this stage, and which amount exceed 0.5% of the equity of the Bank.

(17) Guaranties

A guaranty constitutes a contract contingently requiring the guarantor to make payments to the guarantee when conditions which require the realization of the guaranty materialize. A liability in respect of a guaranty is recognized in the books in the amount of its fair value, even if it is not expected that the guaranty would be realized in the future.

In respect of guarantees, that item 326-20 of the Codification applies to them, at date of initial recognition, in addition to the liability in fair value, that would be recognized in accordance with the guidelines of item 460 of the Codification, a liability in respect of anticipated credit losses would also be recognized, in accordance to item 326-20 of the Codification.

In guarantees, in respect of which, item 326-20 to the Codification does not apply to them, where upon initial recognition, the Bank is required to recognize a provision for a contingent loss in respect of a guaranty, in accordance with Item 450 of the Codification, the liability in respect of the guaranty is measured at date of initial recognition at the higher of the fair value and the amount of the provision according to the rules of Item 450 of the Codification.

The liability is removed from the books at date on which the Bank is released from the risk. The date of release from risk in respect of the guaranty depends on the substance of the guaranty. In general, the Bank removes the liability on date of settlement of the liability. In respect of Guarantees that a liability in respect of anticipated credit losses was recognized, it will be measured according to item 326-20 of the Codification. Where the guarantee is measured at date

of initial recognition in accordance with the rules of Item 450 of the Codification, the following measurement is also performed in accordance with the rules of Item 450 of the Codification.

The rules with respect to the recognition and measurement at date of initial recognition do not apply to guaranties issued between a parent company and a subsidiary, between two sister companies or between the owner of a company and the company.

(18) Shae-based payment transactions

Share-based payment transactions are transactions in which the Bank acquires the employee's services through the issuance (or offer to issue) of shares, share options, or other equity instruments or through the assumption of a liability that meets one of the following conditions: (a) the amounts are based, at least in part, on the price of the Bank's shares or other equity instruments of the Bank; (b) the bonus requires or may require settlement through the issuance of shares or other equity instruments of the Bank.

The Bank recognizes services received in share-based payment transactions when the services are received. The Bank recognizes a corresponding increase in equity or a liability, depending on whether the instrument granted meets the criteria for classification as an equity bonus or a liability bonus. The related expense is recognized when the services are consumed.

Equity bonuses - Share-based payment transactions with employees are measured based on the fair value of the equity instruments issued. The measurement of the cost of equity instruments granted to employees is based on the fair value at the grant date, i.e. the fair value of the equity instruments, which the Bank is obligated to issue at the date on which the employees complete the required service and all other conditions necessary to earn the right to benefit from the equity instruments (e.g., exercise options). This estimate is based on the share price and other relevant parameters (such as expected volatility) at the grant date.

(19) Income Tax Expense

The financial statements of the Bank include current and deferred taxes.

The provisions for taxes on the income of the Bank and of its consolidated subsidiaries, which are considered "financial institutions", for value added tax purposes include profit tax levied on income according to the VAT law. Value added tax levied on payroll of financial institutions is included in the item "Salaries and related expenses".

The Bank allocates the tax expense or the tax benefits between continuing operations, discontinued operations, other comprehensive income and other items directly recognized in equity.

Current taxes

Current taxes are the amount of taxes on income paid or payable (or refundable) in respect of the current period, as determined by the tax laws enacted with respect to taxable income. The current tax expense includes also changes in tax payments relating to prior years.

Deferred taxes

Deferred tax liabilities and deferred tax assets represent the future implications on taxes on income stemming from temporary differences and carry forward losses at end of a period.

The Bank recognizes deferred tax liabilities with respect to all taxable temporary differences except for the following temporary difference: retained earnings of a domestic subsidiary, which in substance are for a permanent period of time; and differences stemming from intercompany transactions.

The Bank recognizes deferred tax assets in respect of all tax-deductible temporary differences and carry forward losses, and concurrently recognizes a separate valuation allowance in respect of that amount included in the value of an asset, which more likely than not, would not be realized. The Bank reduces the amount of deferred tax assets by the amount of any tax benefits that are not expected to be realized, based on available evidence - both positive evidences

supporting recognition of a deferred tax asset and the negative evidences supporting the creation of a valuation allowance in respect of a deferred tax asset, in order to determine whether a net deferred tax asset should be recognized.

Deferred tax liabilities or deferred tax assets are measured using the enacted legal tax rates expected to apply to sufficient taxable income in the periods in which it is expected that the deferred tax liability would be settled or the deferred tax asset would be realized.

The Bank classifies interest income and expenses with respect to taxes on income and penalties payable to the Tax Authorities to the Item "Taxes on income".

Offsetting deferred tax assets and liabilities

The Bank offsets all deferred tax assets against all deferred tax liabilities as well as all valuation allowances related to a particular taxable component and within the jurisdiction of a particular tax authority.

Uncertain tax positions

The Bank applies the recognition, measurement and disclosure rules stated within the framework of FIN 48. In accordance with these rules, the Bank recognizes the effect of tax positions only if it is more likely than not that the positions would be approved by the tax authorities or the Court. Recognized tax positions are measured according to the maximum amount having realization prospects of over 50%. Changes in recognition or in measurement are reflected in the period in which changes in circumstances have led to changes in judgment.

(20) Earnings per share

The Group presents basic and diluted per share data in respect of its ordinary share capital. The amount of basic per share earnings or loss, attributed to the ordinary shareholders of the Bank is computed by dividing the amount of earnings or loss by the weighted average number of ordinary shares outstanding during the reported period.

The amount of the diluted per share earnings or loss, is determined by adjusting the amount of earnings or loss attributed to the ordinary shareholders of the Bank and adjusting the weighted average number of ordinary shares outstanding, in respect of the effect of all the potentially diluting ordinary shares, including option warrants for shares, granted to employees.

(21) Segment Reporting

(a) **Supervisory segments of operation**

A supervisory business segment is a component in the banking corporation that engages in certain operations or combines customers in specific classifications, defined by the Supervisor of Banks. The format of reporting on the supervisory segments of operation of the Bank was set in the Public Reporting Directives of the Supervisor of Banks.

A supervisory business segment is generally defined based on the classification of customers. Private customers are classified according to their volume of financial assets to the household segment or to the private banking segment. Customers, other than private individuals, are mostly classified according to the volume of their operations to business segments (differentiating between minute and small businesses, middle market and corporate businesses), institutional bodies and the financial management segment. In addition, the Bank is required to implement the disclosure requirements regarding business segments according to Management's approach, where the business segments according to this approach differ significantly from the supervisory business segments.

(b) **Segments of operation according to Management's approach**

In addition to the uniform reporting in accordance with supervisory segments of operation, the directive requires disclosure on segments of operation according to Management's approach in accordance with accounting principles

accepted by US banks in the matter of business segments (included in ASC 280) (see note 28A to the financial statements).

A business segment defined in accordance with Management's approach is a component of a banking corporation engaged in operations that may produce income and incur expenditure; the results of its operations are being reviewed on a regular basis by Management and the Board of Directors in order to evaluate its performance and make decisions as to the allocation of resources to it; and in respect of which separate financial data is available. The classification of business segments at the Bank is based on the characterization of customer segments. Such segments include also banking products.

(22) Transactions with controlling parties

The bank implements US accepted accounting principles for the accounting treatment of transactions between a banking corporation and its controlling party and between companies under the control of the banking corporation. In cases where the said principles contain no reference to the manner of treatment, the Bank applies the principles determined in Standard 23 of the Israeli Accounting Standards Institute regarding the accounting treatment of transactions between an entity and its controlling party.

Assets and liabilities, being the subject of a transaction with a controlling party, are measured at fair value at date of the transaction. Due to the fact that the transaction in question is made at a capital level, the Group reflects in equity the difference between the fair value and the proceeds of the transaction.

D. Initial application of accounting standards, updates of accounting standards and directives of the Supervisor of Banks

Update of Standard ASU 2023-09 in the matter of improvement of the disclosure requirements in the note on taxes on income

On December 14, 2023, the US Financial Accounting Standards Board (hereinafter - the "FASB") published Standard ASU 2023-09 in the matter of improvement of the disclosure requirements regarding taxes on income (hereinafter – "the update"). The amendments within the framework of the update add new disclosure requirements as well as cancel certain disclosure requirements. The main disclosure requirements added as part of the update include, among other things, expanding the disclosure regarding the reconciliation between expected tax and reported tax (the theoretical tax note). Public entities will include a reconciliation in the form of a table that will include amounts and percentages divided according to certain categories, as well as a requirement to provide disclosure on income tax paid (net of refunds received), divided into categories of local and foreign taxes.

The provisions of the update were implemented from January 1, 2025, by way of retroactive application for prior periods.

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

(1) Update of Standard ASU 03-2024 Regarding the Disclosure of Expenses in the Statement of Income

In November 2024, the FASB issued ASU 03-2024 regarding the disclosure of selected Items in the Statement of Income in a Separate Note (hereinafter - the "update"). The main points of the amendment include, among others, requirements for quantitative tabular disclosure of certain types of expenses included in each relevant expense item in the main statements, including employee benefits, depreciation of fixed assets and intangible assets; qualitative description of amounts that are not quantitatively disclosed.

The provisions of the update will apply to reports of public business entities in the United States starting from annual periods beginning after December 15, 2026, and for interim periods beginning after December 15, 2027. Early adoption is possible.

Upon initial implementation, it is required to apply the amendments retroactively for all periods presented in the financial statements or by way of “from now onwards”, as elected by the entity.

The Bank is studying the effect of the new rules upon the financial statements.

(2) Update of Standard ASU 2025-06 regarding Internal-use Software Costs

On September 18, 2025, the American Accounting Standards Board (the “FASB”) issued ASU 2025-06 regarding internal-use software costs that are within the scope of ASC40-350 (hereinafter - the “Amendment”). The main points of the Amendment remove the references to the stages of a software development project currently existing in ASC 350-40 so that the provisions of the Amendment are not affected by different software development methods. The Amendment states that internal-use software costs incurred should be capitalized when both of the following conditions are met: (a) Management has approved and committed to funding the software project; and (b) the project is expected to be completed and the software will be used for its intended purpose (the recognition threshold clarified in the Amendment is “probable-to-complete”). In addition, it was emphasized that the disclosure requirements of ASC 10-360 will apply to capitalized internal-use software costs.

The provisions of the Amendment will apply to all entities for annual and interim reporting periods beginning after December 15, 2027, with early adoption possible. The Amendment allows for the new guidelines to be applied using one of three transition methods: prospectively, retrospectively, or through an adjusted prospectively approach. The Bank is examining the impact of the Amendment on its financial statements.

NOTE 2 - INTEREST INCOME AND EXPENSES

(NIS million)

Composition:

		Consolidated			The Bank		
		For the year ended December 31			For the year ended December 31		
		2025	2024	2023	2025	2024	2023
A.	**Interest income**[1]						
	From credit to the public	**6,980**	6,748	6,722	**6,506**	6,285	6,259
	From credit to the Government	**44**	40	16	**35**	24	-
	From deposits with banks	**161**	101	107	**162**	110	118
	From deposits with Bank of Israel and from cash	**3,093**	3,062	2,227	**3,064**	3,004	2,181
	From Securities borrowed or purchased under agreements to repurchase	**8**	3	4	**8**	3	4
	From bonds	**1,485**	1,143	774	**1,385**	1,080	755
	Total interest income	**11,771**	11,097	9,850	**11,160**	10,506	9,317
B.	**Interest expenses**						
	On deposits from the public	**6,521**	6,039	4,632	**6,424**	5,929	4,556
	On deposits from the Government	**30**	23	15	**30**	23	15
	On deposits from banks	**34**	34	29	**103**	106	91
	On deposits with Bank of Israel	**6**	6	2	**6**	6	2
	On securities lent or sold under agreements to repurchase	**171**	53	-	**171**	53	-
	On bonds and subordinated capital notes	**187**	202	204	**104**	134	135
	On other liabilities	**-**	-	2	**-**	-	2
	Total interest expenses	**6,949**	6,357	4,884	**6,838**	6,251	4,801
	Total interest income, net	**4,822**	4,740	4,966	**4,322**	4,255	4,516
C.	**Details on net effect of hedging derivative instruments on interest income and expenses**						
	Interest income[2]	**34**	57	94	**33**	55	91
D.	**Details of interest income from bonds on cumulative basis**						
	Held to maturity	**296**	152	79	**277**	146	79
	Available for sale	**1,079**	930	677	**998**	873	658
	Held for trading	**110**	61	18	**110**	61	18
	Total included in interest income	**1,485**	1,143	774	**1,385**	1,080	755

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

NOTE 3 - NON-INTEREST FINANCING INCOME

(NIS million)

		Consolidated			The Bank		
		For the year ended December 31			For the year ended December 31		
		2025	**2024**	**2023**	**2025**	**2024**	**2023**
A.	**Non-interest financing income in respect of non-trading activities**						
1.	**From activity in derivative instruments**						
	Total from activity in derivative instruments[1]	**(1,344)**	168	377	**(1,344)**	168	377
2.	**From investments in bonds**						
	Gains from sale of bonds available for sale[2]	**24**	8	6	**24**	8	6
	Losses from sale of bonds available for sale[2]	**(1)**	(15)	(107)	**(1)**	(15)	(89)
	Total from investment in bonds	**23**	(7)	(101)	**23**	(7)	(83)
3.	**Net exchange differences**	**1,461**	(66)	(274)	**1,461**	(66)	(273)
4.	**From investment in shares**						
	Gains from sale of shares not for trading	**24**	33	5	**24**	33	5
	Losses from sale of shares not for trading	**(1)**	-	(3)	**(1)**	-	(3)
	Dividend from shares not for trading	**54**	33	44	**54**	33	44
	Unrealized gains [3]	**113**	163	14	**113**	163	14
	Total from investment in shares	**190**	229	60	**190**	229	60
	Total non-interest financing income in respect of non-trading activities	**330**	324	62	**330**	324	81

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

NOTE 3 - NON-INTEREST FINANCING INCOME (CONT'D)

(NIS million)

		Consolidated			The Bank		
		For the year ended December 31			For the year ended December 31		
		2025	2024	2023	2025	2024	2023
B.	**Net income in respect of non-interest financing activity for trading[3]**						
	Net income in respect of other derivative instruments	**93**	97	82	**93**	97	82
	Net realized and unrealized gains (losses) from adjustments to fair value of bonds held for trading[1]	**(107)**	8	-	**(107)**	8	-
	Net realized and unrealized gains (losses) from adjustments to fair value of shares held for trading[2]	**(4)**	3	(2)	**(4)**	3	(2)
	Total non-interest financing income (expenses) from trading activities[4]	**(18)**	108	80	**(18)**	108	80
	Total non-interest financing income	**312**	432	142	**312**	432	161
	Details on non-interest financing income (expenses) in respect of trading activities, by risk exposure						
	Interest rate exposure	**52**	24	15	**52**	24	15
	Foreign currency exposure	**(72)**	76	61	**(72)**	76	61
	Exposure to shares	**2**	8	4	**2**	8	4
	Total	**(18)**	108	80	**(18)**	108	80

(1) Of which: gains in respect of trading bonds on hand at balance sheet date amounting to NIS 2 million in the year ended December 31, 2025 (year ended December 31, 2024 - NIS 1 million).
(2) Of which: gains in respect of trading shares on hand at balance sheet date amounting to NIS 1 million in the year ended December 31, 2025
(3) Including exchange differences arising from trading activity.
(4) See Note 2 for details on income from investment in trading bonds.

NOTE 4A - FEES

(NIS million)

Composition:

	Consolidated			The Bank		
	For the year ended December 31			For the year ended December 31		
	2025	2024	2023	2025	2024	2023
Account management	**190**	190	211	**169**	169	189
Credit cards	**147**	135	130	**130**	120	115
Securities and certain derivative instruments activity	**711**	576	518	**696**	560	505
Financial products distribution commissions[1]	**170**	135	118	**160**	128	111
Management, operation and trust to institutional entities	**142**	116	102	**35**	33	31
Credit handling	**16**	15	17	**15**	13	15
Conversion differences	**225**	209	213	**219**	204	208
Foreign-trade activity	**36**	40	42	**36**	40	42
Commissions from financing activities	**88**	86	100	**86**	85	98
Other fees	**52**	51	51	**36**	35	34
Total Fees	**1,777**	1,553	1,502	**1,582**	1,387	1,348

(1) Mutual and provident funds distribution fees.

NOTE 4B - INCOME FROM CONTRACTS WITH CUSTOMERS

(NIS million)

Following is the reconciliation of the income divided to segments of activity according to Management approach:

Consolidated	For the year ended December 31, 2025					
	Banking Division	Corporate Division	Customer Asset Division	Subsidiary companies	Adjustments	Total
Account management	**147**	**31**	**8**	**21**	**(17)**	**190**
Credit cards	**126**	**7**	**3**	**17**	**(6)**	**147**
Securities and certain derivative instruments activity	**415**	**246**	**695**	**26**	**(671)**	**711**
Financial products distribution commissions[1]	**157**	**6**	**160**	**10**	**(163)**	**170**
Management, operation and trust to institutional entities	**-**	**-**	**142**	**-**	**-**	**142**
Credit handling	**2**	**13**	**-**	**12**	**(11)**	**16**
Conversion differences	**94**	**131**	**219**	**6**	**(225)**	**225**
Foreign-trade activity	**19**	**22**	**2**	**-**	**(7)**	**36**
Commissions from financing activities	**16**	**76**	**5**	**2**	**(11)**	**88**
Other fees	**35**	**9**	**2**	**10**	**(4)**	**52**
Total Fees from contracts with customers	**1,011**	**541**	**1,236**	**104**	**(1,115)**	**1,777**

Consolidated	For the year ended December 31, 2024					
	Banking Division	Corporate Division	Customer Asset Division	Subsidiary companies	Adjustments	Total
Account management	150	31	8	20	(19)	190
Credit cards	117	6	3	15	(6)	135
Securities and certain derivative instruments activity	373	160	560	23	(540)	576
Financial products distribution commissions[1]	126	4	128	7	(130)	135
Management, operation and trust to institutional entities	-	-	116	-	-	116
Credit handling	3	12	-	15	(15)	15
Conversion differences	94	90	204	5	(184)	209
Foreign-trade activity	23	25	2	1	(11)	40
Commissions from financing activities	19	72	3	2	(10)	86
Other fees	36	8	2	9	(4)	51
Total Fees from contracts with customers	941	408	1,026	97	(919)	1,553

Consolidated	For the year ended December 31, 2023					
	Banking Division	Corporate Division	Customer Asset Division	Subsidiary companies	Adjustments	Total
Account management	169	33	8	22	(21)	211
Credit cards	112	6	2	15	(5)	130
Securities and certain derivative instruments activity	320	159	505	20	(486)	518
Financial products distribution commissions[1]	110	4	111	6	(113)	118
Management, operation and trust to institutional entities	-	-	102	-	-	102
Credit handling	3	13	-	14	(13)	17
Conversion differences	102	88	208	6	(191)	213
Foreign-trade activity	23	27	2	1	(11)	42
Commissions from financing activities	22	84	3	3	(12)	100
Other fees	38	8	1	7	(3)	51
Total Fees from contracts with customers	899	422	942	94	(855)	1,502

(1) Mutual and provident funds distribution fees.

NOTE 5 - OTHER INCOME

(NIS million)

Composition:

	Consolidated			The Bank		
	For the year ended December 31			For the year ended December 31		
	2025	**2024**	**2023**	**2025**	**2024**	**2023**
Capital gains from the sale of building and equipment	**9**	19	6	**9**	19	6
Other	**2**	2	2	**61**	59	56
Total other income	**11**	21	8	**70**	78	62

NOTE 6 - SALARIES AND RELATED EXPENSES

(NIS million)

Composition:

	Consolidated			The Bank		
	For the year ended December 31			For the year ended December 31		
	2025	**2024**	**2023**	**2025**	**2024**	**2023**
Salaries	**1,228**	1,207	1,241	**1,140**	1,124	1,155
Expenses derived from share based payment transactions	**2**	-	-	**2**	-	-
Other related expenses including study funds, vacation and sick days	**125**	120	117	**120**	115	112
Long-term benefits	**(4)**	-	1	**(4)**	-	1
National insurance and VAT on salaries	**302**	298	294	**281**	277	272
Pension expenses (including severance pay and allowances)[(1)]:						
Defined benefit - cost of service	**21**	22	22	**15**	16	17
Defined deposit	**82**	78	76	**79**	75	73
Other post-employment benefits and non-pension post-retirement benefits[(1)(2)]	**13**	14	15	**12**	13	14
Total salaries and related expenses	**1,769**	1,739	1,766	**1,645**	1,620	1,644

(1) See note 23 regarding "employees' benefits".

(2) Of which: cost of service in respect of other post-employment benefits and post-retirement benefit, which are not pension in the amount of NIS 3 million and NIS 2 million consolidated and the bank, respectively (2024 - NIS 4 million and NIS 3 million, consolidated and the Bank, respectively, 2023 - NIS 4 million and NIS 3 million, consolidated and the Bank, respectively).

NOTE 7 - OTHER EXPENSES

(NIS million)

Composition:

	Consolidated			The Bank		
	For the year ended December 31			For the year ended December 31		
	2025	**2024**	**2023**	**2025**	**2024**	**2023**
Pension expenses (including severance pay and allowances), defined benefit (excluding cost of service)	**44**	40	37	**43**	39	36
Reductions, Dismissals[1]	**28**	16	(1)	**28**	16	(1)
Marketing and advertising	**95**	72	66	**83**	63	57
Communications	**81**	80	68	**78**	77	66
Computer	**180**	171	158	**178**	168	155
Office	**7**	7	7	**6**	6	6
Insurance	**12**	14	15	**10**	12	13
Legal, audit and consultancy	**65**	55	54	**50**	42	41
Directors' fees and fees for participation in meetings	**7**	7	7	**5**	6	5
Professional instruction and training	**4**	4	3	**4**	4	3
Commissions	**274**	168	151	**283**	179	162
Other	**140**	111	103	**133**	105	99
Total other expenses	**937**	745	668	**901**	717	642

(1) See note 23 regarding "employees' benefits".

NOTE 8 - PROVISION FOR TAXES ON PROFIT

(NIS million)

A. Composition:

	Consolidated			The Bank		
	For the year ended December 31			For the year ended December 31		
	2025	**2024**	**2023**	**2025**	**2024**	**2023**
Current taxes in respect of the current year	**1,394**	1,450	1,271	**1,238**	1,290	1,146
Current taxes in respect of prior years	**(11)**	(54)	(33)	**(11)**	(52)	(32)
Total current taxes	**1,383**	1,396	1,238	**1,227**	1,238	1,114
Addition (deduction):						
Deferred taxes in respect of the current year	**3**	(15)	(150)	**5**	(12)	(143)
Deferred taxes in respect of prior years	**-**	2	2	**-**	2	2
Total deferred taxes*	**3**	(13)	(148)	**5**	(10)	(141)
Total provision for taxes	**1,386**	1,383	1,090	**1,232**	1,228	973
(*) Deferred taxes						
Income of deferred taxes before effect of items detailed below:						
Effect of increase in tax rate	**3**	(13)	(148)	**5**	(12)	(141)
Total deferred taxes	**3**	(13)	(148)	**5**	(10)	(141)

NOTE 8 - PROVISION FOR TAXES ON PROFIT (CONT'D)

(NIS million)

B. Reconciliation of provision for taxes to the theoretical tax expense

The following is a reconciliation between the theoretical tax which would have been payable had the operating earnings been chargeable to tax at the statutory rate prevailing on banks in Israel and the adjusted tax provision on ordinary operating earnings as reported in the statement of income:

Consolidated	For the year ended December 31					
	2025		**2024**		**2023**	
	NIS million	%	NIS million	%	NIS million	%
Profit before taxes	**3,713**		3,785		3,239	
Prevailing tax rate		**34.2%**		34.2%		34.2%
Tax at the prevailing tax rate	**1,270**		1,294		1,108	
Tax (saving) in respect of:						
Tax credit	**1**	**-**	1	-	1	-
Non-deductible expenses	**19**	**0.5%**	15	0.4%	10	0.3%
Adjustment of statutory tax rate to the tax rate applicable on income of consolidated companies	**-**	**-**	-	-	-	-
Additional amounts to be paid in respect of non-accruing debts	**10**	**0.3%**	8	0.2%	7	0.2%
Exempt income for tax purposes	**-**	**-**	-	-	(4)	(0.1%)
Change in deferred tax balances due to change in tax rate	**-**	**-**	(13)	(0.3%)	-	-
Adjustment and differences of depreciation and capital gain	**(3)**	**(0.1%)**	-	-	(1)	-
Special tax payment (see D below)	**98**	**2.6%**	128	3.4%	-	-
Taxes in respect of prior years	**(11)**	**(0.3%)**	(52)	(1.4%)	(31)	(0.9%)
Other differences	**2**	**0.1%**	2	-	-	-
Profit before taxes	**1,386**	**37.3%**	1,383	36.5%	1,090	33.7%

The Bank	For the year ended December 31					
	2025		**2024**		**2023**	
	NIS million	%	NIS million	%	NIS million	%
Profit before taxes	**3,296**		3,371		2,900	
Prevailing tax rate		**34.2%**		34.2%		34.2%
Tax at the prevailing tax rate	**1,127**		1,153		992	
Tax (saving) in respect of:						
Tax credit	**1**	**-**	1	-	1	-
Non-deductible expenses	**15**	**0.4%**	13	0.4%	7	0.3%
Adjustment of statutory tax rate to the tax rate applicable on income of consolidated companies	**1**	**-**	1	-	1	-
Additional amounts to be paid in respect of non-accruing debts	**10**	**0.3%**	8	0.2%	7	0.3%
Exempt income for tax purposes	**-**	**-**	-	-	(4)	(0.1%)
Change in deferred tax balances due to change in tax rate	**-**	**-**	(12)	(0.3%)	-	-
Adjustment and differences of depreciation and capital gain	**(3)**	**(0.1%)**	-	-	(1)	-
Special tax payment (see D below)	**90**	**2.7%**	114	3.4%	-	-
Taxes in respect of prior years	**(11)**	**(0.3%)**	(50)	(1.4%)	(30)	(1.0%)
Other differences	**2**	**0.1%**	-	-	-	-
Provision for taxes on profit	**1,232**	**37.3%**	1,228	36.5%	973	33.7%

NOTE 8 - PROVISION FOR TAXES ON PROFIT (CONT'D)

(NIS million)

B.1. Taxes paid

	Consolidated		
	For the year ended December 31		
	2025	**2024**	**2023**
Local statutory tax	**1,766**	1,454	1,480
Taxes aid in the United States	**2**	2	2
Total taxes paid	**1,768**	1,456	1,482

C. Tax assessments and additional matters relating to the provision for taxes

(1) In 2024, the Bank received final tax assessment for the tax years 2018-2021.

(2) The investee companies have tax assessments considered as final up to and including the tax year 2020.

D. CHANGES IN TAX RATES

In march 2024, the Knesset passed the Special Payments for Achievement of the Budget Goals (Provisional Instruction – Swords of Iron) Act, 2024, according to which, a bank that does not have a small scope of activity (namely, a bank the asset value of which is lower than 5% of the total asset value of all banks in Israel) will pay an annual payment equal to 6% of the profit earned on its operations in Israel as from April 1, 2024 up to December 31, 2025, up to a certain ceiling. In the event that the total payments received from the banks exceed the ceiling stated in the act, each bank will be refunded according to its relative proportion in the special payment. The Bank provided for the special payment on the basis of an assessment as to its share in the payment's ceiling of all banks for the year 2025. It should be noted that the actual results may defer from this assessment.

NOTE 8 - PROVISION FOR TAXES ON PROFIT (CONT'D)

E. Details of deferred tax assets and liabilities – Consolidated

	For the year ended December 31, 2025						
	Balance as of December 31, 2024	Changes allocated to profit and loss	Effect of change in tax rate recorded to profit and loss	Changes allocated to comprehensive profit	Changes allocated to capital	Balance as of December 31, 2025	Average tax rate 2025
Deferred tax assets							
Provision for credit losses	571	10	-	-	-	581	34.8%
Provision for vacation pay and other benefits to employees	110	(4)	-	-	-	106	34.8%
Excess liabilities in respect of employee benefits over assets of the scheme	237	(4)	-	23	-	256	34.8%
Balance of deferred tax assets, gross	918	2	-	23	-	943	
Provision for deferred tax asset	-	-	-	-	-	-	
Balance of deferred tax assets after deduction of provision for deferred taxes	918	2	-	23	-	943	
Balance of available for setoff against deferred tax assets						(134)	
						809	
Deferred tax liabilities							
Adjustment of depreciable non-monetary assets	77	(1)	-	-	-	76	34.8%
Investments in investee companies	105	5	-	-	-	110	11.7%
Securities	-	-	-	-	-	-	-
Balance of deferred tax liability, gross	182	4	-	-	-	186	
Balance of available for setoff against deferred tax liabilities						(134)	
						52	
Balance of deferred tax assets, net	736					757	

NOTE 8 - PROVISION FOR TAXES ON PROFIT (CONT'D)

E. Details of deferred tax assets and liabilities – Consolidated (CONT'D)

	For the year ended December 31, 2024						
	Balance as of December 31, 2023	Changes allocated to profit and loss	Effect of change in tax rate recorded to profit and loss	Changes allocated to comprehensive profit	Changes allocated to capital	Balance as of December 31, 2024	Average tax rate 2024
Deferred tax assets							
Provision for credit losses	559	3	9	-	-	571	34.8%
Provision for vacation pay and other benefits to employees	108	-	2	-	-	110	34.8%
Excess liabilities in respect of employee benefits over assets of the scheme	210	6	2	19	-	237	34.8%
Balance of deferred tax assets, gross	877	9	13	19	-	918	
Provision for deferred tax asset	-	-	-	-	-	-	
Balance of deferred tax assets after deduction of provision for deferred taxes	877	9	13	19	-	918	
Balance of available for setoff against deferred tax assets						(133)	
						785	
Deferred tax liabilities							
Adjustment of depreciable non-monetary assets	75	2	-	-	-	77	34.8%
Investments in investee companies	86	16	3	-	-	105	11.7%
Securities	1	(1)	-	-	-	-	-
Balance of deferred tax liability, gross	162	17	3	-	-	182	
Balance of available for setoff against deferred tax liabilities						(133)	
						49	
Balance of deferred tax assets, net	715					736	

NOTE 8 - PROVISION FOR TAXES ON PROFIT (CONT'D)

E. Details of deferred tax assets and liabilities - The bank

	For the year ended December 31, 2025						
	Balance as of December 31, 2024	Changes allocated to profit and loss	Effect of change in tax rate recorded to profit and loss	Changes allocated to comprehensive profit	Changes allocated to capital	Balance as of December 31, 2025	Average tax rate 2025
Deferred tax assets							
Provision for credit losses	534	9	-	-	-	543	34.8%
Provision for vacation pay and other benefits to employees	107	(4)	-	-	-	103	34.8%
Excess liabilities in respect of employee benefits over assets of the scheme	227	(5)	-	23	-	245	34.8%
Balance of deferred tax assets, gross	868	-	-	23	-	891	
Provision for deferred tax asset	-	-	-	-	-	-	
Balance of deferred tax assets after deduction of provision for deferred taxes	868	-	-	23	-	891	
Balance of available for setoff against deferred tax assets						(134)	
						757	
Deferred tax liabilities							
Adjustment of depreciable non-monetary assets	77	(1)	-	-	-	76	34.8%
Investments in investee companies	105	5	-	-	-	110	11.7%
Securities	-	-	-	-	-	-	-
Balance of deferred tax liability, gross	182	4	-	-	-	186	
Balance of available for setoff against deferred tax liabilities						(134)	
						52	
Balance of deferred tax assets, net	686					705	

NOTE 8 - PROVISION FOR TAXES ON PROFIT (CONT'D)

E. Details of deferred tax assets and liabilities - The bank (CONT'D)

	For the year ended December 31, 2024						
	Balance as of December 31, 2023	Changes allocated to profit and loss	Effect of change in tax rate recorded to profit and loss	Changes allocated to comprehensive profit	Changes allocated to capital	Balance as of December 31, 2024	Average tax rate 2024
Deferred tax assets							
Provision for credit losses	523	3	8	-	-	534	34.8%
Provision for vacation pay and other benefits to employees	106	(1)	2	-	-	107	34.8%
Excess liabilities in respect of employee benefits over assets of the scheme	200	5	2	20	-	227	34.8%
Balance of deferred tax assets, gross	829	7	12	20	-	868	
Provision for deferred tax asset	-	-	-	-	-	-	
Balance of deferred tax assets after deduction of provision for deferred taxes	829	7	12	20	-	868	
Balance of available for setoff against deferred tax assets						(133)	
						735	
Deferred tax liabilities							
Adjustment of depreciable non-monetary assets	75	2	-	-	-	77	34.8%
Investments in investee companies	86	16	3	-	-	105	11.7%
Securities	1	(1)	-	-	-	-	-
Balance of deferred tax liability, gross	162	17	3	-	-	182	
Balance of available for setoff against deferred tax liabilities						(133)	
						49	
Balance of deferred tax assets, net	667					686	

F. See Note 10B regarding taxes on income recognized outside profit and loss.

NOTE 9 - PROFIT PER SHARE

A. Primary profit per share

	For the year ended December 31,		
	2025	**2024**	**2023**
Net profit attributed to the ordinary shareholders of the Bank (NIS million)	**2,260**	2,371	2,172
Weighted average of number of ordinary shares used in the calculation of primary profit per share[1]	**100,330,040**	100,330,040	100,330,040
Net primary profit per share [1] (NIS)	**22.53**	23.63	21.65

B. Diluted profit per share

	For the year ended December 31,		
	2025	**2024**	**2023**
Net profit attributed to the ordinary shareholders of the Bank (NIS million)	**2,260**	2,371	2,172
Weighted average of number of ordinary shares used in the calculation of primary profit per share[1]	**100,330,040**	100,330,040	100,330,040
Effect of options issued to office holders at the Bank	**5,091**	-	-
Weighted average of number of ordinary shares used in the calculation of diluted profit per share[1]	**100,335,131**	100,330,040	100,330,040
Net diluted profit per share [1] (NIS)	**22.52**	23.63	21.65

(1) Shares of NIS 0.05 par value

NOTE 10 - 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[1]	Adjustments in respect of employee benefits	Total	Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive income (loss) attributed to the Bank's shareholders
Balance as of January 1, 2023	(222)	(109)	(331)	(28)	(303)
Net changes during the year	140	17	157	9	148
Balance as of January 1, 2024	(82)	(92)	(174)	(19)	(155)
Net changes during the year	19	(39)	(20)	3	(23)
Balance as of January 1, 2025	(63)	(131)	(194)	(16)	(178)
Net changes during the year	**171**	**(45)**	**126**	**10**	**116**
Balance as of December 31, 2025	**108**	**(176)**	**(68)**	**(6)**	**(62)**

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

	For the year ended December 31, 2025			For the year ended December 31, 2024			For the year ended December 31, 2023		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests									
Adjustments in respect of available for sale bonds presentation according to fair value									
Unrealized net gains from adjustments to fair value	**354**	**(139)**	**215**	39	(15)	24	217	(74)	143
Gains in respect of available for sale bonds reclassified to income statement[1]	**(73)**	**29**	**(44)**	(8)	3	(5)	(4)	1	(3)
Net changes during the year	**281**	**(110)**	**171**	31	(12)	19	213	(73)	140
Employee benefits:									
Net actuarial gain (loss)	**(110)**	**38**	**(72)**	(84)	30	(54)	17	(5)	12
Net losses reclassified to the income statement[2]	**41**	**(14)**	**27**	24	(9)	15	8	(3)	5
Net change during the year	**(69)**	**24**	**(45)**	(60)	21	(39)	25	(8)	17
Changes in the components of cumulative other comprehensive income attributed to non-controlling interests									
Total changes during the year	**16**	**(6)**	**10**	5	(2)	3	13	(4)	9
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders									
Total changes during the year	**196**	**(80)**	**116**	(34)	11	(23)	225	(77)	148

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

(2) The amount before tax is reported in the statement of income in the item of expenses in respect of employee benefits, see note 23.

NOTE 11 - CASH AND DEPOSITS WITH BANKS

(NIS million)

Composition:

	Consolidated		The Bank	
	December 31		December 31	
	2025	2024	2025	2024
Cash and deposits with Central banks	**78,523**	73,432	**77,955**	72,031
Deposits with commercial banks	**5,253**	3,743	**5,697**	4,163
Total [1]	**83,776**	77,175	**83,652**	76,194
(1) Includes cash and deposits with banks, the initial period of which does not exceed three months	**83,117**	76,907	**82,516**	75,472

For information in respect of pledges see Note 26 below.

NOTE 12 - SECURITIES

(NIS million)

		Consolidated					
		December 31, 2025					
A.	Bonds 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	7,464	7,464	-	159	66	7,557
	Of financial institutions in Israel	39	39	-	-	2	37
	Of others in Israel	36	36	-	2	-	38
Total bonds held to maturity		7,539	7,539	-	161	68	7,632

					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	15,521	15,374	-	159	12	15,521
	Of foreign governments	10,109	10,077	-	33	1	10,109
	Of financial institutions in Israel	1,031	1,032	-	9	10	1,031
	Of foreign financial institutions	785	778	-	7	-	785
	Of others in Israel	165	161	-	4	-	165
	Of foreign others	36	36	-	-	-	36
Total bonds available for sale		27,647	27,458	-	(2)212	(2)23	27,647

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	1,563	1,262	-	(3)302	(3)1	1,563
	Of which: shares, the fair value of which is not ready determinable	275	274	-	(3)1	-	275
	Total not for trading securities	36,749	36,259	-	675	92	36,842

D.	Securities held for trading	Book value	Amortized cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
	Bonds of Israeli government	573	570	-	3	-	573
	Bonds of financial institutions in Israel	(5)917	911	-	6	-	917
	Total bonds held for trading	1,490	1,481	-	9	-	1,490
	Shares	27	25	-	2	-	27
Total held for trading securities		1,517	1,506	-	(3)11	-	1,517
Total securities		38,266	37,765	-	686	92	38,359

(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 bonds in the amount of NIS 915 million, which were classified to the trading portfolio, since they were intended to be measured at fair value.

General Notes:
Securities which were pledged amounted to NIS 5,409 million.
Details of results of investment activity in bonds and in shares - see note 2 and note 3. As for pledge of securities- see note 26.

NOTE 12 - SECURITIES (CON'T)

(NIS million)

		Consolidated					
		December 31, 2024					
A.	Bonds 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	6,401	6,401	-	54	130	6,325
	Of financial institutions in Israel	75	75	2	-	3	74
	Of others in Israel	(5)55	55	-	2	-	57
Total bonds held to maturity		6,531	6,531	2	56	133	6,456

					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	13,664	13,743	-	36	115	13,664
	Of foreign governments	9,483	9,483	-	3	3	9,483
	Of financial institutions in Israel	600	614	-	1	15	600
	Of foreign financial institutions	396	396	-	2	2	396
	Of others in Israel	193	192	-	2	1	193
	Of foreign others	24	24	-	-	-	24
Total bonds available for sale		24,360	24,452	-	(2)44	(2)136	24,360

C.	Investment in not for trading shares	Book value	cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1) (4)
	Not for trading shares	1,208	997	-	(3)211	-	1,208
	Of which: shares, the fair value of which is not ready determinable	211	211	-	-	-	211
	Total not for trading securities	32,099	31,980	2	311	269	32,024

D.	Securities held for trading	Book value	Amortized cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
	Bonds of Israeli government	1,494	1,493	-	1	-	1,494
	Bonds of financial institutions in Israel	(6)791	786	-	5	-	791
	Total bonds held for trading	2,285	2,279	-	6	-	2,285
	Shares	12	11	-	1	-	12
Total held for trading securities		2,297	2,290	-	(3)7	-	2,297
Total securities		34,396	34,270	2	318	269	34,321

(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 problematic bonds accruing interest income in amount of NIS 1 million.
(6) Including bonds in the amount of NIS 789 million, which were classified to the trading portfolio, since they were intended to be measured at fair value.

General Notes:
Securities which were pledged amounted to NIS 3,573 million.
Details of results of investment activity in bonds and in shares - see note 2 and note 3. As for pledge of securities- see note 26.

NOTE 12 - SECURITIES (CON'T)

(NIS million)

	The Bank					
	December 31, 2025					
A. Bonds 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	6,923	6,923	-	144	66	7,001
Of financial institutions in Israel	39	39	-	-	2	37
Of others in Israel	36	36	-	2	-	38
Total bonds held to maturity	6,998	6,998	-	146	68	7,076

				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	13,497	13,373	-	133	9	13,497
Of foreign governments	10,109	10,077	-	33	1	10,109
Of financial institutions in Israel	878	879	-	8	9	878
Of foreign financial institutions	785	778	-	7	-	785
Of others in Israel	165	161	-	4	-	165
Of foreign others	36	36	-	-	-	36
Total bonds available for sale	25,470	25,304	-	(2)185	(2)19	25,470

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	1,563	1,262	-	(3)302	(3)1	1,563
Of which: shares, the fair value of which is not ready determinable	275	274	-	(3)1	-	275
Total not for trading securities	34,031	33,564	-	633	88	34,109

D. Securities held for trading	Book value	Amortized cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
Bonds of Israeli government	573	570	-	3	-	573
Bonds of financial institutions in Israel	(5)917	911	-	6	-	917
Total bonds held for trading	1,490	1,481	-	9	-	1,490
Shares	27	25	-	2	-	27
Total held for trading	1,517	1,506	-	(3)11	-	1,517
Total securities	35,548	35,070	-	644	88	35,626

(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 bonds in the amount of NIS 915 million, which were classified to the trading portfolio, since they were intended to be measured at fair value.

General Notes:
Securities which were pledged amounted to NIS 5,409 million.
Details of results of investment activity in bonds and in shares - see note 2 and note 3. As for pledge of securities- see note 26.

NOTE 12 - SECURITIES (CON'T)

(NIS million)

		The Bank					
		December 31, 2024					
A.	Bonds 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	6,033	6,033	-	54	128	5,959
	Of financial institutions in Israel	75	75	2	-	3	74
	Of others in Israel	(5)55	55	-	2	-	57
Total bonds held to maturity		6,163	6,163	2	56	131	6,090

					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	11,734	11,804	-	31	101	11,734
	Of foreign governments	9,483	9,483	-	3	3	9,483
	Of financial institutions in Israel	498	511	-	1	14	498
	Of foreign financial institutions	396	396	-	2	2	396
	Of others in Israel	193	192	-	2	1	193
	Of foreign others	24	24	-	-	-	24
Total bonds available for sale		22,328	22,410	-	(2)39	(2)121	22,328

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	1,208	997	-	(3)211	-	1,208
	Of which: shares, the fair value of which is not ready determinable	211	211	-	-	-	211
	Total not for trading securities	29,699	29,570	2	306	252	29,626

D.	Securities held for trading	Book value	Amortized cost	Provision for credit losses	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value (1)
	Bonds of Israeli government	1,494	1,493	-	1	-	1,494
	Bonds of financial institutions in Israel	(6)791	786	-	5	-	791
	Total bonds held for trading	2,285	2,279	-	6	-	2,285
	Shares	12	11	-	1	-	12
Total held for trading		2,297	2,290	-	(3)7	-	2,297
Total securities		31,996	31,860	2	313	252	31,923

(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 problematic bonds accruing interest income in amount of NIS 1 million.
(6) Including bonds in the amount of NIS 789 million, which were classified to the trading portfolio, since they were intended to be measured at fair value.

General Notes:
Securities which were pledged amounted to NIS 3,573 million.
Details of results of investment activity in bonds and in shares - see note 2 and note 3. As for pledge of securities- see note 26.

NOTE 12 - SECURITIES (CONT'D)

(NIS million)

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

Consolidated	December 31, 2025							
	Less than 12 months[1]				12 months and above[2]			
	Fair Value	Unrealized losses			Fair Value	Unrealized losses		
		0-20%[3]	20-40%[4]	Total		0-20%[3]	20-40%[4]	Total
Bonds held for redemption[5]								
Of Israeli Government	**-**	**-**	**-**	**-**	**1,939**	**66**	**-**	**66**
Of Israeli financial institutions	**-**	**-**	**-**	**-**	**37**	**2**	**-**	**2**
Total bonds held for redemption	**-**	**-**	**-**	**-**	**1,976**	**68**	**-**	**68**
Available for-sale bonds								
Of Israeli government	**-**	**-**	**-**	**-**	**1,928**	**12**	**-**	**12**
Of foreign governments	**5,011**	**1**	**-**	**1**	**-**	**-**	**-**	**-**
Of Israeli financial institutions	**-**	**-**	**-**	**-**	**418**	**10**	**-**	**10**
Total bonds available for sale	**5,011**	**1**	**-**	**1**	**2,346**	**22**	**-**	**22**

Consolidated	December 31, 2024							
	Less than 12 months[1]				12 months and above[2]			
	Fair Value	Unrealized losses			Fair Value	Unrealized losses		
		0-20%[3]	20-40%[4]	Total		0-20%[3]	20-40%[4]	Total
Bonds held for redemption[5]								
Of Israeli Government	819	5	-	5	2,690	102	23	125
Of Israeli financial institutions	-	-	-	-	54	3	-	3
Total bonds held for redemption	819	5	-	5	2,744	105	23	128
Available for-sale bonds								
Of Israeli government	6,994	47	-	47	4,974	68	-	68
Of foreign governments	5,793	3	-	3	-	-	-	-
Of Israeli financial institutions	323	2	-	2	223	13	-	13
Of foreign financial institutions	-	-	-	-	56	2	-	2
Of others in Israel	-	-	-	-	22	1	-	1
Total bonds available for sale	13,110	52	-	52	5,275	84	-	84

(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) The amortized cost of the bonds held to maturity amounted to NIS 2,044 million (31.12.2024 - NIS 3,696 million).

NOTE 13 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(NIS million)

1. Debts[1], bonds held for redemption and available for sale, credit to the public and provision for credit losses

Consolidated	December 31, 2025					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Recorded balance:						
Debts examined on an individual basis	**79,116**	**-**	**281**	**79,397**	**42,048**	**121,445**
Debts examined on a collective basis	**5,991**	**38,958**	**23,668**	**68,617**	**-**	**68,617**
Total	**85,107**	**38,958**	**23,949**	**148,014**	**42,048**	**190,062**
Of which:						
Non-accruing debts	**303**	**242**	**107**	**652**	**-**	**652**
Debts in arrears of 90 days or more	**7**	**-**	**16**	**23**	**-**	**23**
Other problematic debts	**519**	**84**	**152**	**755**	**-**	**755**
Total problematic debts	**829**	**326**	**275**	**1,430**	**-**	**1,430**
Provision for credit losses:						
In respect of debts examined on an individual basis	**917**	**-**	**5**	**922**	**2**	**924**
In respect of debts examined on a collective basis	**70**	**160**	**488**	**718**	**-**	**718**
Total	**987**	**160**	**493**	**1,640**	**2**	**1,642**
Of which: non-accruing debts	**142**	**13**	**36**	**191**	**-**	**191**
Of which: other problematic debts	**56**	**4**	**32**	**92**	**-**	**92**

Consolidated	December 31, 2024					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Recorded balance:						
Debts examined on an individual basis	65,569	-	276	65,845	36,133	101,978
Debts examined on a collective basis	5,830	36,396	22,979	65,205	-	65,205
Total	71,399	36,396	23,255	131,050	36,133	167,183
Of which:						
Non-accruing debts	379	183	106	668	-	668
Debts in arrears of 90 days or more	9	-	18	27	-	27
Other problematic debts	852	56	149	1,057	-	1,057
Total problematic debts	1,240	239	273	1,752	-	1,752
Provision for credit losses:						
In respect of debts examined on an individual basis	924	-	6	930	3	933
In respect of debts examined on a collective basis	82	160	462	704	-	704
Total	1,006	160	468	1,634	3	1,637
Of which: non-accruing debts	132	8	36	176	-	176
Of which: other problematic debts	154	2	30	186	-	186

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

NOTE 13 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(CONT'D)

(NIS million)

1. Debts[1], bonds held for redemption and available for sale, credit to the public and provision for credit losses

The Bank	December 31, 2025					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Recorded balance:						
Debts examined on an individual basis	**78,137**	**-**	**281**	**78,418**	**39,047**	**117,465**
Debts examined on a collective basis	**5,936**	**38,958**	**18,030**	**62,924**	**-**	**62,924**
Total	**84,073**	**38,958**	**18,311**	**141,342**	**39,047**	**180,389**
Of which:						
Non-accruing debts	**279**	**242**	**83**	**604**	**-**	**604**
Debts in arrears of 90 days or more	**7**	**-**	**14**	**21**	**-**	**21**
Other problematic debts	**509**	**84**	**105**	**698**	**-**	**698**
Total problematic debts	**795**	**326**	**202**	**1,323**	**-**	**1,323**
Provision for credit losses:						
In respect of debts examined on an individual basis	**880**	**-**	**5**	**885**	**2**	**887**
In respect of debts examined on a collective basis	**70**	**160**	**399**	**629**	**-**	**629**
Total	**950**	**160**	**404**	**1,514**	**2**	**1,516**
Of which: non-accruing debts	**119**	**13**	**30**	**162**	**-**	**162**
Of which: other problematic debts	**54**	**4**	**24**	**82**	**-**	**82**

The Bank	December 31, 2024					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Recorded balance:						
Debts examined on an individual basis	64,476	-	276	64,752	33,446	98,198
Debts examined on a collective basis	5,773	36,396	17,652	59,821	-	59,821
Total	70,249	36,396	17,928	124,573	33,446	158,019
Of which:						
Non-accruing debts	376	183	84	643	-	643
Debts in arrears of 90 days or more	9	-	16	25	-	25
Other problematic debts	827	56	109	992	-	992
Total problematic debts	1,212	239	209	1,660	-	1,660
Provision for credit losses:						
In respect of debts examined on an individual basis	905	-	6	911	3	914
In respect of debts examined on a collective basis	81	160	381	622	-	622
Total	986	160	387	1,533	3	1,536
Of which: non-accruing debts	131	8	31	170	-	170
Of which: other problematic debts	151	2	23	176	-	176

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

NOTE 13 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(CONT'D)

(NIS million)

2. Change in provision for credit losses

Consolidated	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses						
Balance of provision for credit losses as of December 31, 2022	817	151	344	1,312	2	1,314
Expenses in respect of credit losses	314	40	148	502	-	502
- Accounting write-offs	(85)	(9)	(122)	(216)	-	(216)
- Collection of debts written off accounting wise in previous years	85	7	93	185	-	185
Net accounting write-offs	-	(2)	(29)	(31)	-	(31)
Balance of provision for credit losses as of December 31, 2023	1,131	189	463	1,783	2	1,785
Expenses (income) in respect of credit losses	(44)	(27)	54	(17)	1	(16)
- Accounting write-offs	(70)	(4)	(110)	(184)	-	(184)
- Collection of debts written off accounting wise in previous years	123	12	94	229	-	229
Net accounting write-offs	53	8	(16)	45	-	45
Balance of provision for credit losses as of December 31, 2024	**1,140**	**170**	**501**	**1,811**	**3**	**1,814**
Expenses (income) in respect of credit losses	**(33)**	**(3)**	**56**	**20**	**(1)**	**19**
- Accounting write-offs	**(69)**	**(6)**	**(123)**	**(198)**	**-**	**(198)**
- Collection of debts written off accounting wise in previous years	**113**	**9**	**95**	**217**	**-**	**217**
Net accounting write-offs	**44**	**3**	**(28)**	**19**	**-**	**19**
Balance of provision for credit losses as of December 31, 2025	**1,151**	**170**	**529**	**1,850**	**2**	**1,852**
Of which: In respect of off-balance sheet credit instruments						
Balance of provision for credit losses as of December 31, 2023	123	8	34	165	-	165
Balance of provision for credit losses as of December 31, 2024	134	10	33	177	-	177
Balance of provision for credit losses as of December 31, 2025	**164**	**10**	**36**	**210**	**-**	**210**

NOTE 13 - CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(CONT'D)

(NIS million)

2. Change in provision for credit losses

The Bank	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses						
Balance of provision for credit losses as of December 31, 2022	798	151	278	1,227	2	1,229
Expenses in respect of credit losses	311	40	133	484	-	484
- Accounting write-offs	(84)	(9)	(107)	(200)	-	(200)
- Collection of debts written off accounting wise in previous years	83	7	80	170	-	170
Net accounting write-offs	(1)	(2)	(27)	(30)	-	(30)
Balance of provision for credit losses as of December 31, 2023	1,108	189	384	1,681	2	1,683
Expenses (income) in respect of credit losses	(41)	(27)	44	(24)	1	(23)
- Accounting write-offs	(70)	(4)	(93)	(167)	-	(167)
- Collection of debts written off accounting wise in previous years	122	12	82	216	-	216
Net accounting write-offs	52	8	(11)	49	-	49
Balance of provision for credit losses as of December 31, 2024	**1,119**	**170**	**417**	**1,706**	**3**	**1,709**
Expenses (income) in respect of credit losses	**(49)**	**(3)**	**41**	**(11)**	**(1)**	**(12)**
- Accounting write-offs	**(69)**	**(6)**	**(102)**	**(177)**	**-**	**(177)**
- Collection of debts written off accounting wise in previous years	**111**	**9**	**82**	**202**	**-**	**202**
Net accounting write-offs	**42**	**3**	**(20)**	**25**	**-**	**25**
Balance of provision for credit losses as of December 31, 2025	**1,112**	**170**	**438**	**1,720**	**2**	**1,722**
Of which: In respect of off-balance sheet credit instruments						
Balance of provision for credit losses as of December 31, 2023	121	8	32	161	-	161
Balance of provision for credit losses as of December 31, 2024	133	10	30	173	-	173
Balance of provision for credit losses as of December 31, 2025	**162**	**10**	**34**	**206**	**-**	**206**

NOTE 14 - CREDIT TO THE GOVERNMENT

(NIS million)

Composition:	Consolidated		The Bank	
	December 31,		December 31,	
	2025	2024	2025	2024
Credit to the Government	**1,607**	1,496	**880**	789

NOTE 15 - INVESTEE COMPANIES

(NIS million)

A. Composition:

	Consolidated		The Bank					
	December 31, 2025	December 31, 2024	December 31, 2025			December 31, 2024		
	Equity basis investee	Equity basis investee	Equity basis investee	Consolidated subsidiaries	Total	Equity basis investee	Consolidated subsidiaries	Total
Investments in shares on equity basis	**875**	842	**875**	**962**	**1,837**	842	979	1,821
Other investments:								
Capital notes and subordinated capital notes	**-**	-	**-**	**5**	**5**	-	5	5
Total investments in investee companies	**875**	842	**875**	**967**	**1,842**	842	984	1,826
Earnings accumulated since acquisition, net	**568**	533	**568**	**1,383**	**1,951**	533	1,411	1,944
Items accrued in equity capital since purchase date:								
Adjustments in respect of presenting available-for-sale bonds at fair value	**-**	-	**-**	**7**	**7**	-	(4)	(4)
Employee benefits	**(5)**	(4)	**(5)**	**-**	**(5)**	(4)	-	(4)
Other	**(10)**	(10)	**(10)**	**(4)**	**(14)**	(10)	(4)	(14)

B. The Bank's share in profits of equity-basis investees:

	Consolidated			The Bank		
	For the year ended December 31			For the year ended December 31		
	2025	2024	2023	2025	2024	2023
						NIS millions
The Bank's share in operating profits of investee companies	**34**	88	127	**195**	242	259
Current taxes	**-**	(3)	(2)	**-**	(3)	(2)
Provision for deferred taxes	**1**	(11)	(12)	**1**	(11)	(12)
The Bank's share in operating profits of investee companies, after tax	**35**	74	113	**196**	228	245

NOTE 15 - INVESTEE COMPANIES (CONT'D)

C. Details regarding major investee companies:[1][2]

Name of investee	Major activity	Bank's share in equity		Bank's voting right		Carrying value of the investment on equity basis[3]	
		December 31		December 31		December 31	
		2025	2024	2025	2024	2025	2024
		%	%	%	%		NIS million
Israeli consolidated subsidiaries:							
Bank Massad Ltd.	Commercial Bank	**51.0**	51.0	**51.0**	51.0	**609**	681
UBank trust company Ltd.	Trust services	**100.0**	100.0	**100.0**	100.0	**229**	182
Equity basis investee:							
Israel Credit Cards Ltd.	Credit Cards	**28.2**	28.2	**21.0**	21.0	[3]**874**	[3]842

(1) The above list does not include wholly owned and controlled consolidated companies that are property companies or that supply services to the Bank, whose assets and operating results are included in the financial statements of the Bank.
(2) The shares of all the companies in the above list are not listed for trading on the stock exchange.
(3) Including balance of excess cost.

	Other capital investments		Bank's equity earnings		Dividend recorded		Other items accumulated in shareholders' equity	
	December 31							
	2025	2024	2025	2024	2025	2024	2025	2024
	NIS million		NIS million		NIS million		NIS million	
	-	-	**106**	110	**(189)**	(31)	**11**	4
	-	-	**47**	37	**-**	-	**-**	-
	-	-	**33**	88	**-**	(28)	**(1)**	(4)

NOTE 15 - INVESTEE COMPANIES (CONT'D)

D. Condensed information regarding an equity basis investee, without adjustment to the rate of ownership held by the Group

1. Condensed information regarding the financial condition

	Bank's share in equity	Total assets	Total liabilities	Capital attributed to the company's shareholders
	%			NIS millions
Israel Credit Cards Ltd.				
December 31, 2025	**28.2**	**22,923**	**20,137**	**2,786**
December 31, 2024	28.2	22,089	19,433	2,656

2. Condensed information regarding the results of operation

	Bank's share in equity	Net profit for the year
	%	NIS millions
Israel Credit Cards Ltd.		
For the year ended December 31, 2025	**28.2**	**129**
For the year ended December 31, 2024	28.2	301
For the year ended December 31, 2023	28.2	450

3. Exercise of the right to join the agreement for the sale of holdings in Israel Credit Card Ltd. (ICC)

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

In accordance with the reports of ICC and with the Increase in Competition and Reduction in Centralization in the Banking Market in Israel Act (Legislation amendments), 2017 and the related Regulations, Discount, which controls ICC, is obliged to sell the means of control it holds in ICC within a period of three years from date of publication of the Regulations or, under certain circumstances, by the end of four years, if it is decided on an outline for a public issue of shares.

On July 23, 2024, the Banking Act (Licensing) (Amendment No. 31), 2024 was published, within the framework of which certain adjustments were made, and it was determined that the timetables for the sale would be extended by fifteen months (until May 2027 or, if Discount's holdings in ICC are reduced to 40% or less - until May 2028). In addition, amendments were approved that allow the sale of ICC to an institutional or significant nonfinancial entity. It was further determined that even a bank with a medium-sized scope of activity (whose assets are between 5% and 10% of the value of the assets of all banks in Israel), and including, as of date of publication of these statements, the Bank, shall not control a corporation that is a clearing agent with a wide scope of operations, as defined in the Amendment, and includes ICC as of the present time.

In addition, a transitional instruction was determined, according to which, a bank with a medium-sized scope of activity that held means of control in a clearing agent having wide scope operations, and turned into its controlling shareholder without increasing its holdings thereof, will be permitted to continue and control such clearing agent until the end of two years and nine months from the date on which he became a controlling shareholder. A bank with a medium-sized scope of activity is also forbidden to operate as a clearing agent having a wide scope activity. It is clarified that in accordance with the law, nothing prevents the Bank from holding an interest in ICC at a rate that does not constitute control, or from operating as a clearing agent having a non-wide scope of operation.

A report issued by Discount on September 19, 2025, indicates that on the same date Discount entered into an agreement (hereinafter - "the agreement") with Union Investments and Development Ltd. and Harel Insurance Investments Ltd. (hereinafter together – "the Purchasers") for the sale of all its holdings in ICC.

In accordance with the principal points of the said report by Discount:

1. In consideration for the sale of all the holdings of Discount in ICC (79% of voting rights and 71.8% of equity rights) the Purchasers will pay an amount of up to NIS 2,873 million, which includes an immediate component of NIS 2,694 million, fully payable in cash on date of consummation of the transaction (hereinafter – "immediate consideration" and "consummation date", respectively), which will take place soon after fulfillment of all conditions precedent. The immediate consideration would be adjusted in respect of distributions of dividends and certain transaction expenses, and following six months since date of signature would begin to carry interest at the determined rate, until date of consummation.
2. Subject to meeting the threshold conditions resulting from the business performance of ICC, a variable component depending upon the business performance of ICC, would be added to the immediate consideration, payable over a period of two years, in respect of each of the years 2027 and 2028, reaching an amount of up to NIS 180 million (hereinafter – "the conditional consideration").
3. The last date for the consummation of the transaction would be six months since date of signature, when under certain conditions, it would be possible to extend this period by additional four- and one-half months in total.
4. Consummation of the transaction is subject to meeting the conditions precedent determined in the agreement, including obtaining a control permit (and holding, as the case may be) issued by the Supervisor of Banks, approval by the Competition Commissioner and third-party approvals.
5. In view of the conditions precedents to which the agreement is subjected, no certainty exists as to the consummation of the transaction or its timing, as well as no certainty as to the materialization of the conditions for a full or partial payment of the conditional consideration.

On September 21, 2025, the Bank was informed by Discount that the Bank has the right of joining the agreement.

In accordance with the contents of the notice and subject to the terms noted therein, the Bank has the right to join the transaction within 60 days from the date of the notice. In accordance with that stated in the notice, if and to the extent that the right of joining would be exercised by the Bank, the holdings of the Bank in ICC shall be acquired by Union only, and the total consideration for the transaction will increase respectively, so as to reflect a ratio of 71.83% for Discount and 28.17% for the Bank, in accordance with the equity rights holdings in ICC. On November 19, 2025 the Bank informed Discount on the exercising of its right to join the agreement. To the extent that the transaction would be consummated, the Bank is expected to recognize net gains after the tax event of up to NIS 132 million, according to its investment in IDD as of December 31, 2025, as well as future gains, net after the effect of tax, of up to NIS 52 million, depending on the conditional consideration. It should be noted, that the aforementioned gain will be adjusted in accordance to the Bank's share in the profits of ICC, as will be registered on a current basis, up until the consequent quarter to the consummation of the transaction. In view of the conditions to which the agreement is subjected, no certainty exists as to the consummation of the transaction, its timing, as well as its final proceeds from the transaction, which will be affected, inter alia, from the proceeds adjustment mechanism, that was set in the purchase agreement, from the reimbursement arrangements in the transactions, and from the mechanism of the conditioned proceeds, which will be affected from the operating results of ICC in the ears 2027-2028.

E. Between the Bank and other shareholders in Massad bank Ltd. and between the Bank and other shareholders in Israel Credit Cards Ltd, exist agreements, which arrange the rights and obligations towards each other, as shareholders at Massad bank Ltd. and Israel Credit Cards Ltd., respectively.

NOTE 16 - PREMISES AND EQUIPMENT

(NIS million)

A. Composition:

	Consolidated			The Bank		
	Buildings & premises [1]	Furniture, equipment and vehicles	Total	Buildings & premises [1]	Furniture, equipment and vehicles	Total
Cost of assets						
Balance as of December 31, 2023	1,388	654	2,042	1,338	651	1,989
Additions	27	38	65	26	38	64
Disposals	(36)	(2)	(38)	(33)	(1)	(34)
As of December 31, 2024	1,379	690	2,069	1,331	688	2,019
Additions	**27**	**46**	**73**	**27**	**45**	**72**
Disposals	**(24)**	**(5)**	**(29)**	**(24)**	**(5)**	**(29)**
As of December 31, 2025	**1,382**	**731**	**2,113**	**1,334**	**728**	**2,062**
Accumulated depreciation [2]						
Balance as of December 31, 2023	599	566	1,165	569	565	1,134
Depreciation	36	30	66	34	29	63
Disposals	(27)	(2)	(29)	(24)	(1)	(25)
As of December 31, 2024	608	594	1,202	579	593	1,172
Depreciation	**33**	**31**	**64**	**31**	**31**	**62**
Disposals	**(19)**	**(5)**	**(24)**	**(19)**	**(5)**	**(24)**
As of December 31, 2025	**622**	**620**	**1,242**	**591**	**619**	**1,210**
Amortized balance as of December 31, 2023	789	88	877	769	86	855
Amortized balance as of December 31, 2024	771	96	867	752	95	847
Amortized balance as of December 31, 2025	**760**	**111**	**871**	**743**	**109**	**852**
Weighted average depreciation rate in % in 2025	**3.5%**	**17.4%**		**3.4%**	**17.5%**	
Weighted average depreciation rate in % in 2024	3.8%	16.9%		3.7%	17.0%	

(1) Including fixtures and improvements in the rental.
(2) Depreciation accrued including losses accrued from impairment.

B. The Bank and its subsidiaries own rental or leasehold rights in different properties in a total amount of NIS 332 million (December 31, 2024 - NIS 338 million). Of this amount are rental or leasehold rights for periods not exceeding 49 years from balance sheet date in the amount of NIS 258 million (December 31, 2024 - NIS 265 million). The Bank and its subsidiaries own rights to property by way of capitalized leaseholds in the amount of NIS 274 million (December 31, 2024 - NIS 279 million).

C. Land rights totaling NIS 256 million (31.12.24 - NIS 262 million) have yet to be recorded in the name of the Bank or its investee companies at Land Registry Offices.

D. There is no balance sheet balance of premises and equipment not in use by the Bank or the Group and which were classified as real estate for investment (31.12.24 - no balance).

E. The group has in use assets that were fully depreciated. The cost of these assets as of December 31, 2025 amounted to NIS 792 million (31.12.24 - NIS 734 million).

NOTE 16 - PREMISES AND EQUIPMENT (CONT'D)

(NIS million)

F. Information regarding leases

Starting with January 1, 2020, the Bank applies Item 842 of the Codification with respect to leases. In the framework of lease arrangements, the Bank leases property (mostly office premises and branch offices) and motor vehicles, essentially for the business activity of the Bank. The lease agreements are classified as operating leases. In most property lease agreements and in all vehicle lease agreements to which the Bank is a party, the lease payments are linked to the Consumer Price Index (CPI), based on the most recent index published prior to the date of engagement in the lease ("known index").

The lease period is defined as the period in which the lease may not be cancelled, together with periods covered by an option for extension of the lease, where it is reasonably certain that the Bank would exercise the option.

With respect to a part of the properties leased by the Bank, the Bank, at its exclusive discretion, has the option of terminating the lease after 3-5 years, subject to an advance notice to the lessor of at least 3-12 months. The option for termination has not been taken into account in computing the liability in respect of leases.

Whereas, the rate of interest inherent in the lease is not easily determinable, use has been made of the additional rate of interest of the Bank, being the rate of interest that the Bank would have been required to pay in respect of a loan in an amount equal to the lease payments over a similar period, where the leased property serves as an economic collateral and in a similar environment.

The Bank has no lease arrangements which are classified as financial leases.

1. Expenses in respect of leases

	Consolidated			The Bank		
	For the year ended December 31,			For the year ended December 31,		
	2025	**2024**	**2023**	**2025**	**2024**	**2023**
			NIS million			NIS million
Expenses in respect of operating leases	**73**	74	72	**66**	68	66
Amortization of right of use asset in respect of operating leases	**-**	*25	-	**-**	*25	-
Variable lease expenses	**7**	6	5	**6**	5	4
Total expenses in respect of leases	**80**	105	77	**72**	98	70

* Provision for impairment of right of use asset in the framework of efficiency measures.

2. Additional information regarding leases

	Consolidated			The Bank		
	For the year ended December 31,			For the year ended December 31,		
	2025	**2024**	**2023**	**2025**	**2024**	**2023**
			NIS million			NIS million
Cash paid for balances included in the measurement of liabilities for leases:						
Cash flow in respect of current activity regarding operating leases	**79**	79	77	**72**	72	71
Right of use assets recognized in respect of new operating leases	**26**	41	51	**20**	37	49
Balance of weighted average period (in years) in respect of operating leases	**3.6**	3.6	3.8	**3.7**	3.6	3.8
Weighted average discounting interest in respect of operating leases (in percentages)	**2.69**	2.24	1.96	**2.80**	2.32	2.02

NOTE 16 - PREMISES AND EQUIPMENT (CONT'D)

(NIS million)

3. Non capitalized cash flows and liabilities in respect of operating leases

	Consolidated				The Bank			
	December 31, 2025		December 31, 2024		December 31, 2025		December 31, 2024	
	Non-capitalized cash flows	Liability for leases	Non-capitalized cash flows	Liability for leases	Non-capitalized cash flows	Liability for leases	Non-capitalized cash flows	Liability for leases
				NIS million				NIS million
Up to one year	**63**	**63**	68	68	**56**	**56**	61	61
Over one to two years	**53**	**51**	62	59	**47**	**45**	55	53
Over two to three years	**43**	**40**	51	48	**37**	**35**	46	43
Over three to four years	**38**	**34**	42	39	**33**	**30**	38	34
Over four to five years	**34**	**30**	37	33	**30**	**26**	34	30
Over five years	**108**	**86**	111	91	**96**	**77**	100	82
Total	**339**	**304**	371	338	**299**	**269**	334	303

NOTE 17 - INTANGIBLE ASSETS

(NIS million)

	Consolidated			The Bank
	Customers relations	Software	Total	Software
Cost				
As of December 31, 2023	20	1,680	1,700	1,679
Addition	-	169	169	169
Disposals	-	-	-	-
As of December 31, 2024	20	1,849	1,869	1,848
Addition	**-**	**187**	**187**	**187**
Disposals	**-**	**-**	**-**	**-**
As of December 31, 2025	**20**	**2,036**	**2,056**	**2,035**
Amortization				
As of December 31, 2023	16	1,356	1,372	1,355
Amortization for the year	1	133	134	133
Disposals	-	-	-	-
As of December 31, 2024	17	1,489	1,506	1,488
Amortization for the year	**1**	**145**	**146**	**145**
Disposals	**-**	**-**	**-**	**-**
As of December 31, 2025	**18**	**1,634**	**1,652**	**1,633**
Book value				
As of December 31, 2023	4	324	328	324
As of December 31, 2024	3	360	363	360
As of December 31, 2025	**2**	**402**	**404**	**402**

NOTE 18 - OTHER ASSETS

(NIS million)

Composition:

	Consolidated		The Bank	
	December 31		December 31	
	2025	**2024**	**2025**	**2024**
Deferred taxes, net (see Note 8)	**809**	785	**757**	735
Income tax advances, net of provisions and other institutions	**7**	-	**6**	-
Assets relating to MAOF market activity	**5**	1	**5**	1
Right-of-use assets in respect of operating lease	**298**	305	**264**	271
Other receivables and debit balances	**252**	282	**253**	283
Total other assets	**1,371**	1,373	**1,285**	1,290

NOTE 19 - DEPOSITS FROM THE PUBLIC

(NIS million)

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

	Consolidated		The Bank	
	December 31		December 31	
	2025	2024	2025	2024
Demand				
- Non-bearing interest	**51,945**	50,367	**47,801**	46,163
- Bearing interest	**40,440**	23,256	**39,621**	22,461
Total demand	**92,385**	73,623	**87,422**	68,624
Fixed-term	**146,124**	141,132	**145,744**	138,383
Total deposits in Israel*	**238,509**	214,755	**233,166**	207,007
* Of which:				
Deposits of private individuals	**80,088**	84,665	**71,209**	75,644
Deposits of institutional entities	**93,368**	72,957	**93,364**	72,952
Deposits of corporates and others	**65,053**	57,133	**68,593**	58,411

B. Deposits of the public by size (consolidated)

	December 31	
Maximum amount of deposit	2025	2024
Up to 1	**56,620**	59,800
From 1 to 10	**40,820**	42,386
From 10 to 100	**20,719**	21,551
From 100 to 500	**9,742**	7,998
Over 500	**110,608**	83,020
Total	**238,509**	214,755

NOTE 20 - DEPOSITS FROM BANKS

(NIS million)

Composition:

	Consolidated		The Bank	
	December 31		December 31	
	2025	**2024**	**2025**	**2024**
In Israel				
Commercial Banks:				
Demand deposits	**1,665**	1,488	**1,650**	1,467
Fixed-term deposits	**-**	-	**1,757**	1,604
Acceptances	**33**	66	**33**	66
Central banks:				
Fixed-term deposits	**208**	954	**208**	954
Total deposits from banks	**1,906**	2,508	**3,648**	4,091

NOTE 21 - BONDS AND SUBORDINATED CAPITAL NOTES

(NIS million)

A. Composition:

	Duration [1]	Internal rate of return [1]	Consolidated		The Bank	
			December 31		December 31	
	Years	%	2025	2024	2025	2024
Bonds and subordinated capital notes in -						
- Non-linked Israeli currency	**0.78**	**4.11**	**2,442**	-	**-**	-
- Israeli currency linked to the CPI	**4.58**	**2.25**	**4,349**	4,479	**2,268**	2,218
Total bonds and non-convertible subordinated capital notes[2]			**6,791**	4,479	**2,268**	2,218
Including: subordinated capital notes			**2,268**	2,218	**2,268**	2,218

(1) Internal rate of return: The rate of interest which discounts the future flow of payments to the outstanding amount in the balance sheet.
Duration: The average period of payments weighted by the flow of payments discounted by the internal rate of return.
The data as to the internal rate of return and the duration to maturity are as at December 31, 2025, and related to the consolidated statements.

(2) Of which: registered for trade at the Tel Aviv Stock Exchange, bonds in the amount of NIS 2,081 million, commercial papers in the amount of NIS 2,442 and subordinated capital notes in the amount of NIS 2,263 million (December 31, 2024 - bonds in the amount of NIS 2,261 million and subordinated capital notes in the amount of NIS 2,206 million).

NOTE 22 - OTHER LIABILITIES

(NIS million)

Composition:

	Consolidated		The Bank	
	December 31		December 31	
	2025	**2024**	**2025**	**2024**
Deferred tax liabilities, net (see Note 8)	**52**	49	**52**	49
Provision for current taxes, net of advance tax payments	**53**	196	**19**	183
Excess of provision for severance pay over amounts funded (see note 23)	**719**	665	**711**	657
Income received in advance	**93**	91	**92**	88
Creditors in respect of credit cards activity	**2,268**	2,212	**1,864**	1,820
Liabilities relating to MAOF market activity	**5**	1	**5**	1
Creditors in respect of salaries and related expenses (see also Note 23)	**540**	561	**494**	516
Liabilities in respect of operating leases	**304**	338	**269**	303
Other creditors and Credit balances	**919**	1,051	**899**	1,038
Total other liabilities	**4,953**	5,164	**4,405**	4,655

NOTE 23 - EMPLOYEE BENEFITS

A. Description of the terms of employment of the group's employees

1. Pension and Severance Pay

A part of the Group's liabilities for severance pay and pensions is covered by current deposits, in the name of the employees, with provident and pension funds or by the purchase of insurance policies. The liability for severance pay and pension included in the balance sheet represents the portion of the liabilities which is not covered by deposits and/or insurance policies, as stated above. This liability is measured on an actuarial basis, using actuarial and other assumptions, including the discounting rate, the rate of increase in wages, increased severance pay, mortality and retirement rates.

2. Staff Long-Service Awards

Part of the employees in the Group are entitled to a special seniority award ("jubilee award") after having completed a defined period of employment at the Group. This liability is measured on an actuarial basis using actuarial and other assumptions, including the discounting rate, the rate of increase in salaries, mortality and retirements rates.

3. Benefit in respect of nonutilized sick leave

Some of the employees of the Bank are entitled to a benefit in respect of nonutilized accumulated sick leave. Towards the retirement date, this benefit is convertible into vacation days to be actually utilized, based on a determined conversion formula. This liability is measured on an actuarial basis using actuarial and other assumptions, including the discounting rate, the rate of increase in salaries, mortality and retirements rates.

4. Other post-employment benefits

Certain senior officers are entitled upon their retirement for a non-competition award.

5. Other post-retirement benefits

Employees of the group are entitled to certain post-retirement benefits. These benefits include: holiday gifts, newspapers, vacations, etc. Employees of a consolidated subsidiary are entitled to an award upon reaching retirement age in respect of unutilized sick leave. These liabilities are measured on an actuarial basis using actuarial and other assumptions, including the discounting rate, mortality and retirement rates.

6. Vacation pay

Employees of the Group are entitled by law and by labor agreements to paid annual vacation. The provision for vacation pay is calculated on the basis of the most recent salary amounts of employees and the vacation days accumulated in their favor, with the addition of the required related expenses.

B. See note 33.f. regarding employment agreements with the CEO and the Chairman of the Board.

C. See note 33.g. regarding remuneration policy of office holders at the Bank.

NOTE 23 - EMPLOYEE BENEFITS (CONT'D)

D. Composition of benefits:

	Consolidated		The Bank	
	December 31,		December 31,	
	2025	2024	2025	2024
		(NIS million)		(NIS million)
Pension and severance pay				
Amount of liability	**1,011**	936	**885**	822
Fair value of assets of the scheme	**(292)**	(271)	**(174)**	(165)
Excess liabilities over assets of the scheme	**719**	665	**711**	657
Excess liabilities of the scheme included in the item "other liabilities"	**719**	665	**711**	657
Long-service awards - amount of liability	**14**	14	**13**	13
Benefit regarding unused sick leave - amount of liability	**22**	27	**22**	27
Other post-employment benefits	**9**	9	**9**	9
Other post-retirement benefits	**197**	191	**176**	171
Vacation pay	**69**	75	**64**	70
Other	**229**	245	**210**	226
Total				
Excess liabilities regarding employee benefits over assets of the scheme included in the item "other liabilities"	**1,259**	1,226	**1,205**	1,173

E. Defined benefits severance pay and pension schemes

(1) Liabilities and financing situation

		Severance pay, and pension schemes		Other post-retirement benefits	
		For the year ended December 31,		For the year ended December 31,	
		2025	2024	2025	2024
			(NIS million)		(NIS million)
A.	**Change in liability regarding anticipated benefits**				
	Liability regarding anticipated benefit at beginning of period	**936**	865	**191**	188
	Cost of service	**24**	25	**3**	4
	Cost of interest	**42**	43	**10**	10
	Actuarial loss (gain)**	**128**	100	**(3)**	(7)
	Benefits paid	**(119)**	(97)	**(4)**	(4)
	Liability regarding anticipated benefit at end of period	**1,011**	936	**197**	191
	Liability regarding cumulative benefit at end of period	**852**	808	**194**	188
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	**271**	264	**-**	-
	Actual return on assets of the scheme	**27**	24	**-**	-
	Deposits in the scheme by the Bank	**9**	9	**-**	-
	Benefits paid	**(15)**	(26)	**-**	-
	Fair value of assets of the scheme at end of period	**292**	271	**-**	-
	Financing situation - net liability recognized at end of period*	**719**	665	**197**	191

* Included in the item "Other liabilities".

** In 2025 the actuarial loss in respect of severance pay and pension schemes stems mainly from retirement survey conducted in the fourth quarter of 2025 and from actuarial loss in respect of decline in the discounting interest rates. In 2024 the actuarial loss in respect of severance pay and pension schemes stemmed mainly from the update of the forecasted retirement in preferred terms, setoff by an actuarial gain deriving from an increase in the discounting interest rate. In the year 2025, the actuarial gain in respect of post-retirement benefits stemmed mainly from a decline in the inflation forecast, offset by a decline in the discounting rate. In the year 2024 the actuarial gain in respect of other post-retirement benefits stemmed mainly from an increase in the discounting interest rate.

NOTE 23 - EMPLOYEE BENEFITS (CONT'D)

		Severance pay, and pension schemes		Other post-retirement benefits	
		December 31,		December 31,	
		2025	2024	2025	2024
			(NIS million)		(NIS million)
C.	**Amounts recognized in the consolidated balance sheet**				
	Amounts recognized in the item "other liabilities"	**719**	665	**197**	191
	Net liability recognized at end of period	**719**	665	**197**	191
D.	**Amounts recognized in other cumulative comprehensive loss, before the tax effect**				
	Actuarial loss, net	**250**	179	**2**	5
	Closing balance in other cumulative comprehensive loss	**250**	179	**2**	5
E.	**Schemes in which the liability regarding cumulative benefits exceed the assets of the scheme**				
	Liability regarding anticipated benefit	**1,011**	936	**197**	191
	Liability regarding cumulative benefit	**852**	808	**194**	188
	Fair value of assets of the scheme	**292**	271	**-**	-

(2) Expense for the period

		Severance pay, and pension schemes			Other post-retirement benefits		
		December 31,			December 31,		
		2025	2024	2023	2025	2024	2023
				(NIS million)			(NIS million)
A.	**Cost components of net benefit recognized in profit and loss**						
	Cost of service	**24**	25	25	**3**	4	4
	Cost of interest	**42**	43	38	**10**	10	9
	Anticipated return on assets of the scheme	**(11)**	(11)	(9)	**-**	-	-
	Amortization of non-recognized amounts:						
	Net actuarial loss	**13**	8	8	**-**	-	2
	Dismissal	**28**	16	(1)	**-**	-	-
	Capitalized cost of software	**(3)**	(3)	(3)	**-**	-	-
	Total cost of benefits, net	**93**	78	58	**13**	14	15
B.	**Changes in assets of the scheme and in liability for benefits recognized in other comprehensive loss (profit), before the tax effect**						
	Net actuarial loss (profit) for the period	**112**	87	6	**(3)**	(7)	(19)
	Amortization of actuarial loss	**(13)**	(8)	(8)	**-**	-	(2)
	Dismissal	**(28)**	(16)	1	**-**	-	-
	Total recognized in other comprehensive loss (profit)	**71**	63	(1)	**(3)**	(7)	(21)
	Total net cost of benefit	**93**	78	58	**13**	14	15
	Total net cost of benefit for the period recognized in other comprehensive loss (profit)	**164**	141	57	**10**	7	(6)

NOTE 23 - EMPLOYEE BENEFITS (CONT'D)

(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	
	December 31,		December 31,	
	2025	2024	2025	2024
	percent		percent	
1. Principal guidelines used to determine the liability for benefits				
Nominal discounting rate	**4.5**	4.9	**4.8**	5.2
Forecasted rate of rise in the CPI	**2.2**	2.6	**2.3**	2.8
Retirement rate	**0.3-13.0**	0.1-8.6	**0.3-13.0**	0.1-8.6
Rate of increase in nominal-term compensation	**1.1-5.8**	1.1-5.8	**0.0-3.9**	0.0-3.9

	Severance pay, and pension schemes			Other post-retirement benefits		
	For the year ended December 31,			For the year ended December 31,		
	2025	2024	2023	2025	2024	2023
			percent			percent
2. Principal guidelines used to measure the net cost of benefits for the period						
Nominal discounting rate	**4.6-5.1**	4.7-5.6	4.4-4.9	**4.9-5.3**	5.0-5.9	4.5-5.1
Anticipated long-term return on assets of the scheme	**3.9-4.5**	3.7-4.6	3.3-3.6			
Rate of increase in nominal-term compensation	**1.1-5.8**	1.1-5.8	1.1-5.8	**0.0-3.9**	0.0-3.9	0.0-3.7

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

	Severance pay, and pension schemes				Other post-retirement benefits			
	One percentage point growth		One percentage point decline		One percentage point growth		One percentage point decline	
	December 31,		December 31,		December 31,		December 31,	
	2025	2024	2025	2024	2025	2024	2025	2024
	(NIS million)		(NIS million)		(NIS million)		(NIS million)	
Discounting rate	**(50)**	(45)	**58**	53	**(28)**	(28)	**36**	37
Retirement rate	**99**	119	**(83)**	(98)	**1**	1	**(2)**	(1)
Rate of increase in compensation	**57**	52	**(49)**	(45)	**1**	1	**(1)**	(1)

NOTE 23 - EMPLOYEE BENEFITS (CONT'D)

(4) Assets of the scheme

A. Composition of the fair value of the assets of the scheme

	Severance pay, and pension schemes							
	December 31, 2025				December 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(NIS million)							(NIS million)
Cash and deposits with banks	**16**	**-**	**-**	**16**	14	-	-	14
Shares	**73**	**-**	**-**	**73**	64	-	-	64
Bonds:								
Government bonds	**60**	**40**	**-**	**100**	53	40	-	93
Corporate bonds	**42**	**7**	**-**	**49**	40	5	-	45
Total	**102**	**47**	**-**	**149**	93	45	-	138
Other	**4**	**26**	**24**	**54**	5	26	24	55
Total	**195**	**73**	**24**	**292**	176	71	24	271

B. Fair value of the assets of the scheme according to classes of assets and allotment target for 2025

	Severance pay, and pension schemes		
	Allotment target	% of scheme's assets December 31,	
	2025	2025	2024
			percent
Cash and deposits with banks	**5.4**	**5.5**	5.2
Shares	**24.8**	**25.0**	23.6
Bonds:			
Government bonds	**34.5**	**34.2**	34.3
Corporate bonds	**17.1**	**16.8**	16.6
Total	**51.6**	**51.0**	50.9
Other	**18.2**	**18.5**	20.3
Total	**100.0**	**100.0**	100.0

(5). Cash flows

A. Deposits

	Severance pay, and pension schemes		
		Actual deposits	
	Forecast	For the year ended December 31,	
	*2026	2025	2024
			(NIS million)
Deposits	**9**	**9**	9

* Assessment of amounts which the Bank expects to deposit with a defined benefit pension scheme during 2026.

NOTE 23 - EMPLOYEE BENEFITS (CONT'D)

B. Benefits expected to be paid by the Bank in the future**

Year	Severance pay, and pension schemes	Other post-retirement benefits
		(NIS million)
2026	142	13
2027	66	12
2028	66	13
2029	78	13
2030	69	13
2031-2035	406	74
2036 and thereafter	680	368
Total	1,507	506

** Non-discounted values. Not including future service cost.

NOTE 24A - SHAREHOLDERS' EQUITY

A. Share capital - Composition:

	Authorized	Issued and paid up
	December 31	December 31
	2025 and 2024	2025 and 2024
	NIS	NIS
Ordinary shares of NIS 0.05 each	**17,500,000**	**5,016,502**

All the ordinary shares are registered shares.

The ordinary shares of NIS 0.05 are traded on the Tel-Aviv Stock Exchange.
Each share entitles the holder to one vote at the general shareholders meeting. Each share entitles its holder to participate in the distribution of profits and to participate in the distribution of the Bank's net assets in the event of liquidation, pro-rata to its par value.

B. Dividend distribution policy

In accordance with the profit distribution policy adopted by the Board of Directors, the Bank would distribute annual dividends up to 50% of its distributable annual net earnings for the current year, provided that the Bank's ratio of capital to risk elements shall be no less than the regulatory targets and targets specified, or to be specified, by the Bank Board of Directors from time to time, subject to statutory provisions and to proper conduct of banking business directives, provided that no adverse changes occur to the Bank earnings and/or business condition and/or financial condition and/or overall state of the economy and/or to the statutory environment.
Nothing in this resolution shall detract from the Board of Directors' authority to review the policy from time to time and to resolve, at any time, after taking into account business considerations and statutory provisions applicable to the Bank, to change the policy or to change the dividend amount to be distributed for any specific period, or to resolve not to distribute any dividend at all.
It is hereby clarified that any dividend shall be subject to specific approval by the Board of Directors and to all restrictions applicable to the Bank with regard to dividend distribution, and shall be made public with all required details in accordance with statutory provisions.

It is noted that a dividend distribution by the Bank is subject, in addition to provisions of the Companies Act, to the following additional restrictions:

- Proper Conduct of Banking Business Directive No. 331, whereby a banking corporation may not distribute dividends upon any of the following cases (unless the prior consent of the Supervisor of Banks is obtained): (1) if the cumulative retained earnings, net of differences in debit included in other cumulative comprehensive profit, as per the financial statements, is not positive, or such distribution would cause it to not be positive; (2) if one or more of the three most recent calendar years ended with a loss or with a comprehensive loss; (3) if a loss or a comprehensive loss is indicated by the cumulative results of the three quarters ending at the end of the interim period for which the most recent financial statements were published; (4) if the Bank's financial statements show non-monetary assets in excess of shareholders' equity, or should such distribution result in such condition. In any case, the distribution is contingent on compilation of a written forecast for the year following the dividend distribution, provided that such forecast would show that the banking corporation's ratio of capital to risk assets shall not be lower than the required minimum, thereof.
- Proper Conduct of Banking Business Directives which include guidelines regarding the manner of calculation of minimal capital ratio requirements. Proper Conduct of Banking Business Directive No. 201 requires that as from January 1, 2015, the minimal ratio of Tier 1 equity capital to risk assets will be 9% and the ratio of comprehensive capital to risk assets will be 12.5%. With regards to the minimal capital ratio, see Note 24B regarding "Capital adequacy targets", for mitigating provisions stated in a Provisional Instruction issued in the wake of the Corona crisis.

NOTE 24A - SHAREHOLDERS' EQUITY (CONT'D)

(NIS million)

- "Restrictions on extending housing loans"- as a result of the application of the amendment to Proper Conduct of Banking Business Directive No. 329, it is required to raise the target of Tier 1 equity capital by a rate reflecting 1% of the outstanding balance of housing loans. For relief and clarifications in this matter, see Note 24B regarding "Capital adequacy targets".
- In accordance with letters addressed to the Bank by the Supervisor of Banks, it is required to inform the Supervisor in advance as to a distribution of a dividend in an amount exceeding 50% of the annual profit of the Bank in the current year.
- The permit by the Governor of Bank of Israel issued in 2003 stipulated that no dividends may be distributed out of earnings accrued by the Bank through March 31, 2003 (which amounted to NIS 2,391 million), and that if any loss would be accrued after said date, no dividends may be distributed until such loss is recouped.

The Supervisor of Banks addressed to the banking system the following letters in the matter of "Capital planning and earnings distribution policy": a letter dated November 12, 2023, in which the banking corporations were required to re-examine their dividend policy for the period proximate to the date of the letter, on the background of the war and the increasing uncertainty in respect of its continuity and the scope of its impact on the economy; a letter dated March 5, 2024, with a similar requirement, on background of the continuation of the War and the scope of its effect on the economy, requiring extra caution in the matter; and a letter dated May 16, 2024, in which the Supervisor notes that the present geopolitical situation requires the continuation of a conservative and educated examination of the capital planning and of the dividend distribution policy, while taking into consideration the actual capital ratios and the capital cushions required by the different possible scenarios.

The Board of Directors of the Bank, taking into consideration the instructions of the Supervisor of Banks, decided on March 9, 2026, to approve a dividend distribution to the shareholders of the Bank in a total amount of NIS 256 million (gross), comprising approx. 50% of the net earnings according to the financial statements of the Bank for the fourth quarter of 2025 (*). In addition, the Bank's Board of Directors decided on that date, given the Bank's capital surpluses, to approve an additional distribution to the Bank's shareholders of a cash dividend in the amount of NIS 266 million (gross), from the remaining profits eligible for distribution, as part of a possible outline of an additional future distribution in similar amounts, which will be made in 3 additional installments, once every 6 months, up to a total cumulative amount of approximately NIS 1 billion. Any additional distribution within the framework of the aforementioned outline will be examined by the Bank's Board of Directors on each expected distribution date as stated, in accordance with the provisions of the law and subject to the restrictions applicable to the Bank regarding dividend distribution, and there is no certainty that it will be approved in practice on these dates.

In addition to the above, the Bank is examining the possibility of making additional distributions in the amount of approximately 25% of net profit per quarter over the next two years, by way of repurchase of the Bank's shares to be carried out through share repurchase plans, to the extent approved by the Bank's Board of Directors, in accordance with the provisions of the law, and subject to all restrictions applicable to the Bank regarding dividend distribution. There is no certainty that such purchase plans will actually be approved.

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

In view of the above, the total dividend to be distributed in March 2026, amounts to NIS 522 million.

(*) The said distribution will include also the purchase of the shares included in the self-purchase plan for the Bank's shares, in a volume that will not exceed 32,815 shares as detailed below, in accordance with its estimated cost proximate to the date of approval of the self-purchase plan by the Board of Directors.

NOTE 24A - SHAREHOLDERS' EQUITY (CONT'D)

(NIS million)

If and to the extent that the Bank share repurchase plans, as stated, would be approved, the maximum additional amount that would be distributed by way of implementing these plans, to the extent adopted, in respect of the profits for the fourth quarter of 2025, amounts to an additional sum of NIS 128 million.

Share repurchase plans, as stated, relate to future events and constitute forward-looking information, as defined in the Securities Act,1968, and as such, their materialization is uncertain.

The ex-dividend date regarding the distribution of the dividend will be on March 23, 2026, and the payment date will be on March 31, 2026. The amount of the dividend is before any withholding tax which the Bank has to withhold according to the law.

Following are details regarding dividends distributed by the Bank, as from the year 2023:

Declaration date	Payment date	Total dividend paid	Dividend per share
		NIS million	NIS
March 21, 2023	April 4, 2023	268	2.67
May 17, 2023	June 1, 2023	220	2.19
August 15, 2023	August 31, 2023	220	2.19
November 28, 2023	December 14, 2023	90	0.90
March 12, 2024	March 31, 2024	269	2.68
May 28, 2024	June 17, 2024	228	2.27
August 15, 2024	September 2, 2024	244	2.44
November 24, 2024	December 10, 2024	248	2.47
March 11, 2025	March 27, 2025	228	2.27
May 14, 2025	May 29, 2025	212	2.12
August 10, 2025	August 25, 2025	319	3.18
November 24, 2025	December 1, 2025	436	4.36

	For the year ended December 31,		
	2025	2024	2023
Dividend declared and paid by the Bank	**1,195**	989	798

C. Plan for the repurchase of the Bank's shares

On March 9, 2026, the Bank's Board of Directors approved a plan to repurchase ordinary shares of the Bank (hereinafter - the "Repurchase Plan") in a volume not exceeding 32,815 shares (approximately 0.033% of the issued and paid-up capital), which will begin on March 11, 2026 and will continue until December 7, 2026, or until all shares are purchased under the Repurchase Plan, whichever is earlier.

NOTE 24B - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY

A. Capital adequacy according to the Supervisor of Banks directives

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

(1) Capital adequacy goals

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

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

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

In view of all that stated above, and considering the additional capital requirement regarding the balance of residential loans, the minimal regulatory Tier I equity capital ratio and the minimal regulatory total capital ratio required from the Bank at the reporting date amount to 9.23% and 12.50%, respectively.

For the outstanding balance of the housing loans see note 29.B.3.

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

The 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 9.50% and total capital ratio of not lower than 12.50%.
- In stress situations - Tier I equity capital ratio of not lower than 6.50% and total capital ratio of not lower than 9.00%.

NOTE 24B - 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:

	December 31,	
	2025	**2024**
		(NIS million)
A. Consolidated		
a. Capital for calculation of capital ratio		
Tier 1 equity capital, after supervisory adjustments and deductions	**14,824**	13,666
Tier 2 capital after deductions	**2,804**	2,714
Total overall capital	**17,628**	16,380
b. Weighted balances of risk assets		
Credit risk	(2)**119,233**	(2)107,387
Market risk	**1,133**	979
Operational risk	**13,238**	12,477
Total weighted balances of risk assets	**133,604**	120,843
		percent
c. Ratio of capital to risk assets		
Ratio of tier 1 equity capital to risk assets	**11.10%**	11.31%
Ratio of comprehensive capital to risk assets	**13.19%**	13.55%
Minimal ratio of Tier 1 equity capital required by the Supervisor of banks	(1)**9.23%**	(1)9.23%
Minimal ratio of comprehensive capital required by the Supervisor of Banks	(1)**12.50%**	(1)12.50%
		percent
B. Significant Subsidiary		
Massad Bank Ltd.		
Ratio of Tier 1 equity capital to risk assets	**15.32%**	18.03%
Ratio of comprehensive capital to risk assets	**16.40%**	19.12%
Minimal ratio of Tier 1 equity capital required by the Supervisor of banks	**9.00%**	9.00%
Minimal ratio of comprehensive capital required by the Supervisor of Banks	**12.50%**	12.50%

(1) The required minimal Tier 1 equity capital ratio and minimal comprehensive capital ratio are 9.0% and 12.5%, respectively. To the required minimal Tier I equity capital ratio was added capital requirement comprising 1% of residential loans balance at the reporting date. However, in accordance with the Provisional Instructions regarding modification of Proper Conduct of Banking Business Directives regarding confrontation with the Corona crisis and in accordance with that stated in Directive 329, no additional capital requirement at the rate of 1% was required in respect of loans for residential purposes granted as from the effective date of the Provisional Instruction (March 19, 2020) and until March 31, 2021.

(2) An amount of NIS 5 million were deducted from the average balances of risk assets in respect of adjustments regarding the efficiency measures (31.12.24 – NIS 22 million).

NOTE 24B - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(NIS million)

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

	December 31,	
	2025	2024
		(NIS million)
A. Tier 1 equity capital		
Capital attributed to shareholders	**14,614**	13,430
Differences between capital attributed to shareholders and Tier 1 equity capital		
Non-controlling rights	**310**	309
Total Tier 1 equity capital before regulatory adjustments and deductions	**14,924**	13,739
Regulatory adjustments and deductions:		
Intangible assets	**(94)**	(94)
Regulatory adjustments and other deductions- Tier 1 equity capital	**(4)**	(3)
Total regulatory adjustments and deductions before adjustments in respect of efficiency measures - Tier 1 equity capital	**(98)**	(97)
Total adjustments in respect of efficiency measures- Tier 1 equity capital[1]	**-**	13
Total adjustments in respect of expected credit losses- Tier 1 equity capital[2]	**(2)**	11
Total Tier 1 equity capital after regulatory adjustments and deductions	**14,824**	13,666
B. Tier 2 capital		
Tier 2 capital: instruments before deductions	**2,229**	2,173
Tier 2 capital: provisions before deductions	**1,490**	1,330
Total tier 2 capital before deductions	**3,719**	3,503
Deductions:		
Total deductions- Tier 2 capital	**(915)**	(789)
Total Tier 2 capital	**2,804**	2,714

(4) Effect of adjustments in respect of efficiency measures and expected credit losses on equity capital tier 1

	December 31,	
	2025	2024
		(NIS million)
Ratio of tier 1 equity capital to risk assets before effect of adjustments	**11.10%**	11.29%
Effect of adjustments in respect of efficiency measures[1]	**-**	0.01%
Effect of adjustments in respect of expected credit losses[2]	**-**	0.01%
Ratio of Tier 1 equity capital to risk assets	**11.10%**	11.31%

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

(2) Adjustments in respect of expected credit losses, according to directives of the Supervisor of Banks (see item 6 hereunder) were gradually reduced until December 31, 2024. Adjustments in respect of expected credit losses of an affiliated company were gradually reduced until December 31, 2025

NOTE 24B - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(NIS million)

(5) Efficiency measures

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

The volume of the efficiency measures in manpower, as from the years 2018 and 2020, in respect of which the reliefs are applicable, amounted to NIS 118 million, net after tax, which was amortized in full until September 30, 2025.

(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 the cumulative effect thereof in surplus earnings at date of initial implementation.

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. The said relief has no impact on the capital adequacy ratio as of December 31, 2025.

(7) Update of Proper Conduct of Banking Business Directive in respect of calculation of operational risk assets

On June 19, 2024, the Supervisor of Banks published an update to Proper Conduct of Banking Business Directive No. 206 in the matter of Measurement and capital adequacy- operational risk. In accordance with the letter, the Supervisor of Banks decided to adopt the instruction of the Basel Committee IV in the matter of calculation of the capital requirements in respect of operational risk.

The main updates in the instruction are:

- Recalculation of the standard approach components so as to include the business indicator component, obtained by multiplying the business indicator amount by coefficients stated in the instruction and the internal loss multiplier that will be based on the average historical losses of the banking corporation.
- New guidelines regarding the historical loss data of the banking corporation – the manner of collecting the data, the manner of using them and the disclosure requirements in this respect.
- Clarification was added, that banking corporations included in Basket 1 (a business indicator lower than NIS 5 billion) are not required to use the loss data in calculating the capital in respect of operational risk. A banking corporation whose business indicator equals or is higher than NIS 3.5 billion, is required to collect the internal loss data in order to be ready for the transition to Basket 2 and for the purpose of risk management. A banking corporation having an internal indicator smaller than NIS 3.5 billion, is not required to collect internal loss data, in accordance with the requirements detailed in this instruction.

These instructions entered into force as from January 1, 2026. However, until December 31, 2028, the internal loss multiplier is set at 1. As to the collecting loss data requirement, to the extent possible, the corporation is required to collect loss data for the years 2024 and 2025 in a way that would most closely meet the requirements stated in the instruction.

The Bank is preparing for the implementation of the instruction, and according to a primary estimate, the expected impact is increase of approx. 0.14% in the Tier 1 equity capital ratio.

NOTE 24B - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(NIS million)

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

(8a.) Capital components subject to fluctuations

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

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

Following is an analysis of the impact of such changes on the Tier I equity capital as of December 31, 2025:

	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)	**0.07**	**0.08**
Massad Bank	**1.29**	**2.27**

(9) Capital allocation for CVA risk

As of January 1, 2025, Directive 208A on the allocation of capital for CVA risk is implemented, which establishes a basic BA-CVA approach that calculates the allocation of capital to cover the risk of value adjustment for credit risk, and is based primarily on risk weights as a function of the economic sector and the credit quality of the counterparty. The implementation of the Directive had no material impact on the Bank's capital adequacy ratio.

(10) Temporary Provision regarding the allocation of additional capital in respect of credit within the framework of a project support agreement for residential construction with contracts with deferred payment terms until the delivery date (non-linear payment)

On April 6, 2025, the Supervisor of Banks published a temporary order to update Proper Conduct of Banking Business Directive No. 203 (Capital Measurement and Adequacy) aimed at addressing exposures to the construction and real estate industry and the housing market. In accordance with the Temporary Provision, credit within the framework of a residential construction project support agreement in which the proportion of contracts for the sale of an apartment, where payment of a significant portion of the sale price is deferred to the delivery date (non-linear payment), exceeds 25%, will receive an increased risk weight of 150%.

In this regard, the Temporary Provision clarified that a "significant portion of the sale price" will be defined as the total amount of payments that the purchaser is permitted, according to the purchase agreement, to defer until the delivery date exceeding 40% of the apartment's sales price included in the purchase agreement.

The requirements of the Provision take force from the date of its publication, with existing projects being weighted with an increased risk weight (150%) only when the rate of such contracts exceeds the rate at the commencement date by more than 5 percentage points. The Temporary Provision will remain in effect until December 31, 2026.

The implementation of the Provision has no impact on risk assets as of December 31, 2025.

NOTE 24B - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(NIS million)

(11) Preparation for the implementation of Basel IV provisions

The Basel Committee published the finalization of the Basel IV reporting framework on December 7, 2017. These provisions are intended to strengthen the reliability and comparability of the calculations of risk-weighted assets and capital ratios by banks, among other things, by reducing the use of internal models, updating the standardized approaches to credit, market and CVA risks, and implementing mechanisms that set a minimum threshold for risk-weighted assets calculated using internal models relative to the standardized approach.

Bank of Israel is working to align with the international standards set by the Basel Committee and, within this framework, is promoting the adaptation of Proper Conduct of Banking Business Directives, so that banks in Israel will gradually move, in accordance with the timetables to be determined, to full implementation of the principles of the provisions.

The Bank's Management is monitoring regulatory developments and is working to prepare appropriately for the implementation of Basel IV provisions, including examining their possible impact on capital requirements, risk measurement and financial reporting.

On March 11, 2025, the Supervisor of Banks published a letter to the banking system on the subject of "Capital Measurement and Adequacy - Calculation of Risk-Related Assets for Credit Risk - Quantitative Impact Survey", which aims to examine the impact of the new Basel IV approach in order to address, among other things, the key weaknesses of the standardized approach and examine gaps between banks implementing the IRB approach and those implementing the standardized approach, which impaired the possibility of comparison between banks.

The survey included data on risk assets by segments and by division into risk assets according to Proper Conduct of Banking Business Directive 203 (Capital Measurement and Adequacy - the Standardized Approach) current versus the new directive. In accordance with Bank of Israel's requirement, a quantitative impact survey (QIS) was conducted for the implementation of Basel provisions in the field of credit risks, which were submitted to the Supervisor of Banks on June 8, 2025. A binding directive on the subject of the expected implementation of the updated Directive 203 has not yet been published.

NOTE 24B - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(NIS million)

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

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

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

As a general rule, the measurement is consistent with the accounting values, where for this purpose, risk weights are not taken into account. Likewise, the Bank is not permitted to use physical or financial collateral, guarantees or other techniques reducing credit risk, in order to reduce exposure measurements, unless these are specifically permitted by the Directive. Stated assets deducted from Tier I capital (in accordance with Directive 202) are deducted from exposure measurement. In accordance with the Directive, the Bank computes the exposure in respect of derivatives according to 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, applying to every banking corporation, the total stated consolidated assets of which comprises up to 24% of the total stated assets of the banking system, including the Bank.

On November 15, 2020, Bank of Israel issued an update 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, (Temporary Provision), which granted relief of one half percentage point in the leverage ratio requirement, so that the Bank has to maintain a leverage ratio of no less than 4.5% (instead of 5%) on a consolidated basis. The Temporary Provision was extended from time to time. In a circular letter dated September 14, 2025, the power of the relief was extended until June 30, 2027, on condition that the leverage ratio will not fall below that of December 31, 2026, or from the regulatory leverage ratio prior to the relief, whichever is lower.

	December 31, 2025	December 31, 2024
		NIS million
A. Consolidated		
Tier 1 capital*	**14,824**	13,666
Total exposures	**294,223**	263,762
		percent
Leverage ratio	**5.04%**	5.18%
B. Significant Subsidiary		
Massad Bank Ltd.		
Leverage ratio	**9.10%**	10.08%
Minimal leverage ratio required by the Supervisor of Banks	**4.50%**	4.50%

* For the effect of adjustments in respect of efficiency measures and initial implementation of accounting principles in respect of expected credit losses, see paragraph A(4) above.

NOTE 24B - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(NIS million)

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

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

		For the three months ended December 31	
		2025	2024
		percent	
1.	**Consolidated***		
	Liquidity coverage ratio	**129%**	165%
2.	**The Bank***		
	Liquidity coverage ratio	**126%**	166%
3.	**Significant Subsidiary***		
	Massad Bank Ltd.		
	Liquidity coverage ratio	**458%**	572%
	Minimal liquidity coverage ratio required by the Supervisor of Banks	**100%**	100%

* In terms of simple averages of daily observations.

NOTE 24B - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY (CONT'D)

(NIS million)

D. Net stable Funding Ratio in accordance with directives of the Supervisor of Banks

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

		December 31, 2025	December 31, 2024
			percent
1.	**Consolidated**		
	Net stable funding ratio	**127%**	140%
2	**Significant Subsidiary**		
	Bank Massad Ltd.		
	Net stable funding ratio	**163%**	172%
	Minimal net stable funding ratio required by the Supervisor of Banks	**100%**	100%

NOTE 25 - COMMITMENTS AND CONTINGENT LIABILITIES

(NIS million)

A. Off-balance sheet commitment in respect of activity based on the collection of loans[1] at the end of the year

	Consolidated and The Bank	
	December 31	
	2025	2024
Balance of loans granted out of deposits repayable to the extent of collection of the loans [2]		
Non-linked Israeli currency	**7**	8
CPI linked Israeli currency	**188**	204
Total	**195**	212

(1) Loans granted out of deposits repayable to the depositor to the extent of collection of the loans, earning a margin or a collection commission (instead of a margin).

(2) Standing loans and Government deposits made in respect thereof, in the amount of NIS 69 million, consolidated and in the Bank (December 31, 2024 - NIS 75 million consolidated and in the Bank), were not included in the above table.

Flows of collection commission and interest margins in respect of activity based on the collection of loans[1]

	Consolidated and The Bank						
						December 31	December 31
						2025	2024
	Up to one year	One to three years	Three to five years	Five to ten years	Ten to twenty years	Total	Total
Contractual future flows	**1**	**1**	**-**	**1**	**1**	**4**	4
Expected future flows, net of management's estimate of premature repayments	**1**	**1**	**-**	**1**	**-**	**3**	3
Discounted future flows, net of management's estimate of premature repayments[2]	**1**	**1**	**-**	**1**	**-**	**3**	3

(1) The balance of deposits repayable according to collection in the non-linked shekel segment does not exceed 10% of all deposits repayable according to collection, therefore the data is given in respect of all operations.

(2) The capitalization is based on a rate of 1.9% (2024 – 2.0%).

Information as to the granting of housing loans during the year

	December 31	
	2025	2024
Loans granted out of deposits repayable to the extent of collection of the loans	**13**	11
Standing loans	**7**	7

B. Other contingent liabilities and special commitments

	Consolidated		The Bank	
	December 31		December 31	
	2025	2024	2025	2024
Improvements to premises and acquisition of new premises, equipment and software	**16**	11	**15**	11
Commitments to invest in private investment funds	**183**	176	**183**	176

NOTE 25 - COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

(NIS million)

C. 1. On June 29, 2004, the General Meeting of Shareholders of the Bank (following approval of the Audit Committee and the Board of Directors) approved a resolution to grant exemption from responsibility for the violation of the duty of care towards the Bank, as well as the granting of an advance commitment for indemnification of acting directors and other officers and those who will serve the Bank from time to time, including directors who are controlling shareholders of the Bank (Mr. Tzadik Bino and Mr. Gill Bino) (hereinafter: "Officers"). The said General Meeting also authorized the Board of Directors of the Bank to grant an exemption and commitment for indemnification also for former Officers of the Bank, to whom the Bank had undertaken that they would be entitled to indemnification arrangements as would be in effect from time to time with respect to Officers of the Bank. The Board of Directors of the Bank also approved the grant of an exemption and commitment for indemnification, as stated, for persons representing the Bank as Directors in other companies. All these commitments have been approved in accordance with the Companies Act, subject to the limitations therein, and subject to the provisions of the letter of commitment for indemnification.

The commitment for indemnification will apply to acts directly or indirectly connected to one or more of the events detailed in the Annex to the letter of commitment for indemnification.

The amount of the commitment for indemnification according to this resolution, to all Officers of the Bank and of its subsidiaries together, in respect of one set of events out of the events detailed in the Annex to the letter of commitment, is not to exceed 25% of the equity capital of the Bank, per the latest financial statements issued immediately prior to the actual granting of the indemnification. In accordance with the resolutions, letters of exemption and commitments for indemnification, as stated, were issued to Officers of the Bank.

The wording of the indemnification letter has been updated from time to time in relation to the types of expenses and liabilities in respect of which the indemnification would be granted, as well as in relation to the list of anticipated events stated in the Addendum, so as to modify them to the activities of the Bank and to the accepted practice in the banking system and to changes in regulations that have taken place in recent years, in particular the new legislation regarding the principal business lines of the Bank. In accordance therewith, the amended indemnification liabilities were granted to Directors and Officers acting at that time and who will act from time to time at the Bank and at investees of the Bank, including Directors who are controlling shareholders (Mr. Tzadik Bino and Mr. Gil Bino) and including former Officers (in accordance with a resolution of the General Meeting of Shareholders passed on June 29, 2004) and including other Officers of the Bank who are not Directors.

In the years 2014, 2017, 2020 and on July 6, 2023, the General Meeting of Shareholders, following approvals by the Compensation Committee and the Board of Directors, approved the granting again of letters of indemnification to Directors having a controlling interest and/or their relatives and/or persons whom the controlling shareholders might have a personal interest in granting them letters of indemnification, in accordance with the same terms and same form of the indemnification letter granted to the other Directors and Officers of the Bank, which had been updated on the said date, for a period of three additional years from date of approval of the relevant General Meeting.

On November 29, 2016 the Board of Directors of the Bank approved, after obtaining the approval of the Audit Committee and the Compensation Committee, to grant letter of exemption and indemnification also to whoever acts from time to time as the CEO of MATAF Computer and Financial Operations Ltd., a wholly owned subsidiary of the Bank. The letter of exemption and indemnification obligation are in accordance with the principles, the scope and the policy approved at the Bank, as mentioned above, to officers at the Bank. Commencing on January 1, 2022, the CEO of MATAF officiates as member of Management and is also an Officer of the Bank.

Since February 23, 2017, the compensation policy, as approved by the General Meeting of Shareholders, states that the granting of exemption to office holders shall not apply in respect of an act of commission or omission of the office holder regarding a decision or transaction in which a controlling shareholder or any office holder has a

personal interest therein. This restriction is not to be applied to office holders which had initially been appointed prior to that date and who are entitled to exemption under decisions taken by the Bank in the past.

On October 30, 2017, the General Meeting of Shareholders, following approvals by the Compensation Committee and the Board of Directors, resolved to grant exemption from responsibility to officers who were initially appointed or would be appointed after February 23, 2017, and which includes in their respect the said qualification, and all in accordance with the compensation policy of the Bank, as stated above. It is noted that the Bank has not tabled for ratification by the General Meeting of Shareholders the letters of exemption granted in 2004 to Directors holding a controlling interest in the Bank.

Likewise, indemnification obligations and exemptions in accordance with the principles approved by the General Meeting of Shareholders of June 2004 have been granted also to the following persons:

- Directors who had officiated on behalf of the Bank in its consolidated subsidiary FIBI (Suisse). It is noted that this subsidiary sold its operations in June 2017 and that during that year all its banking activity was terminated and its voluntary liquidation was concluded in May 2020.

The amount of the indemnity obligation is in accordance with the policy of the Bank in this matter.

It is noted that in the past, additional commitments had been given to Directors who officiated in companies controlled by the Bank, which were voluntarily liquidated or sold over seven years ago.

2. Otsar Hahayal has committed to indemnify officers as defined in the Company Act, 1999. The amount of the indemnification provided by them in terms of this commitment to all its officers as a group, in respect of one or more of the events covered by this commitment, shall not exceed 33% of the equity of Otsar Hahayal according to its latest financial statements published shortly prior to the date of the actual indemnification. Upon consummation of the merger of Otsar Hahayal with and into the Bank on January 1, 2019, the commitment of Otsar Hahayal towards its Officers, including in respect of an event related to the merger, has passed to the Bank.

3. In accordance with the resolutions passed on August 17, 2020 by the General Meeting of Shareholders of Massad Bank Ltd. (hereinafter – "Massad") (following approval by the Audit Committee and the Board of Directors of Massad) exemption from responsibility for the violation of the duty of care regarding Massad has been granted to Directors of Massad and to Officers thereof (as defined by the Companies Act, 1999, including the internal auditor and the company secretary). Also granted to the said Officers are commitments for indemnification in respect of liability or expenditure imposed on them due to actions taken by them in fulfillment of their duties at Massad, and everything as detailed in the commitment for indemnification of Officers and in accordance with the principles applying to Officers of the First International Bank, which were updated in accordance with changes made in 2023 to the wording of the commitment for indemnification granted to Directors and Officers acting in the Bank. The said resolution replaces an earlier resolution of 2013, according to which, Massad had committed to indemnify Officers, the amount of indemnification determined by the said commitment, in respect of all Officers of Massad together, regarding one or more of the stated indemnification events, was not to exceed 33% of the equity capital of Massad according to its latest financial statements published proximate prior to the actual date of indemnification. With respect to officiating Officers, the new arrangement will apply only with respect to an act of commission or omission occurring after the date of the resolution.

D. By power of the by-laws of the Clearing House of the Tel-Aviv Stock Exchange (hereinafter - "the Clearing House"), the Clearing House established a risk fund with the purpose of securing the obligations of Clearing House members in respect to the activities of each member. The amount of the Fund is being updated once in each quarter. The share in the risk fund of each member of the Clearing House, including the Bank, is derived from the volume of operations of the member on behalf of its customers (and on its own behalf, if such existed). The share of the Bank as of December 31, 2025, amounts to NIS 295 million (December 31, 2024 - NIS 557 million).

According to a resolution of the Board of the Stock Exchange and the by-laws of the Clearing House the Bank is required to deposit only liquid assets as collateral (bonds of the State of Israel or cash) as required by the by-laws, and in addition to sign a pledge agreement to secure their obligations towards the Stock Exchange Clearing House regarding their operation as members of the clearing house.

In accordance with the said decisions, the Clearing House opened an account in its name with the Clearing House on behalf of the Bank, in which it is possible to deposit securities as collateral in favor of the Clearing House.

In addition, the Clearing House opened a monetary account with Bank of Israel, in which may be deposited the monetary collateral provided in favor of the Clearing House by its members, whether to secure the operations of Clearing House members or secure their liability towards the risk fund of the Clearing House.

As collateral for the fulfillment of all commitments of the Bank towards the Stock Exchange Clearing House, as stated above, with no limitation of their total amount, the Bank registered on April 17, 2005, in favor of the Clearing House, a first degree fixed pledge and an assignment by way of pledge in favor of the Clearing House, on its clearing account with the Clearing House and on its clearing account with another bank (which was closed in 2020).

In April 2017, the Bank registered a first-degree fixed pledge and an assignment by way of a pledge, in favor of the Clearing House, with respect to all the rights of the Bank in the account of the Clearing House with the Bank of Israel.

It should be clarified that starting with the year 2010 the Bank provides services as a member of the Clearing House with respect to operations pertaining to assets cleared by the Clearing House, including with respect to collateral required for RTGS system operations also for Massad, which is a Stock Exchange member but not a Clearing House member. Accordingly, the Bank's obligations as a Clearing House member towards the Clearing House include also obligations in respect of the operations of Massad and its customers. In respect of such obligations of the Bank towards the Clearing House, the Bank has received from Massad a guarantee, unlimited in amount, for the payment of any amount stemming from obligations or commitments of the Bank towards the Clearing House in respect of its or its customers' operations. As from 2023, the Bank provides services, as stated, also to an additional member of the Stock Exchange, in respect of his retail customers. Accordingly, the commitments of the Bank, as a member of the Stock Exchange Clearing House, towards the Clearing House, include also commitments in respect of the said operation. As part of the agreement with the said additional member of the Stock Exchange, that member is committed to indemnify the Bank in respect of any amount that the Bank would be required to pay, stemming from obligations or commitments of the Bank towards the Stock Exchange Clearing House, in respect of transactions made by customers of that Stock Exchange member.

As to the pledges to the Stock Exchange Clearing House, see Note 26C below.

E. By power of the by-laws of the MAOF Clearing House, the latter established a risk fund, serving as additional security cushion in cases where the collateral deposited by a member of the Clearing House is not sufficient to cover all its liabilities. The amount of the fund is being updated once in each quarter. Each member's share in the risk fund, including the Bank, is determined by the volume of his activity in the Clearing House on behalf of its clients (and on its own behalf, if such existed).

The demand for collateral from the Bank in respect of the risk fund amounts to NIS 73 million as of December 31, 2025, in comparison with NIS 54 million as of December 31, 2024.

Each of the member banks of the MAOF Clearing House is committed towards the Clearing House for the payment of any monetary charge resulting from transactions on behalf of its customers. The amounts at the balance sheet date relating to the Bank's customer transactions in respect of MAOF options are included in the balance sheet in the item “assets in respect of derivative instruments” and in the item “liabilities in respect of derivative instruments” in equal amounts based on the fair value. The balance of the liability of the Bank to the MAOF clearing house, over and above the amount stated in the balance sheet, based on the Stock Exchange models as of December 31, 2025, is NIS 497 million (December 31, 2024 – NIS 393 million).

The Bank registered in favor of the MAOF Clearing House a fixed pledge and an assignment by way of a pledge unlimited in amount on the rights in an account of MAOF securities managed in the name of the MAOF Clearing House

at the Stock Exchange Clearing House (hereinafter - "the main account"). In addition, the Bank registered in favor of the MAOF Clearing House a floating pledge and an assignment by way of a pledge unlimited in amount on all securities deposited and/or to be deposited to the credit of the Bank and its consolidated subsidiaries at the Stock Exchange Clearing House, including securities deposited and/or to be deposited to the credit of the main account and to the credit of an additional account managed at the Stock Exchange Clearing House, and on the income and any other right derived there from. As aforesaid in section D above, the MAOF Clearing House also opened an account with the Bank of Israel, in which it is also possible to deposit the monetary collateral, which its members are placing in its favor. In April 2017 the Bank registered a first-degree fixed pledge and an assignment by way of a pledge in favor of the MAOF clearing house on all its rights in the account of the MAOF Clearing House with the Bank of Israel.

It should be clarified that starting with the year 2010 the Bank provides services at the MAOF Clearing House also with respect to operations pertaining to Massad, which is a Stock Exchange member but is not a MAOF Clearing House member. Accordingly, the Bank's obligations as a MAOF Clearing House member towards the Clearing House include also obligations in respect of the operations of Massad and its customers. In respect of such obligations of the Bank towards the MAOF Clearing House, the Bank has received from Massad a guarantee, unlimited in amount, for the payment of any amount stemming from obligations or commitments of the Bank towards the MAOF Clearing House in respect of its operations and its customers' operations. As from 2023, the Bank provides services, as stated, also to an additional member of the Stock Exchange, in respect of his retail customers. Accordingly, the commitments of the Bank, as a member of the Stock Exchange Clearing House, towards the Clearing House, include also commitments in respect of the said operation. As part of the agreement with the said additional member of the Stock Exchange, that member is committed to indemnify the Bank in respect of any amount that the Bank would be required to pay, stemming from obligations or commitments of the Bank towards the Stock Exchange Clearing House, in respect of transactions made by customers of that Stock Exchange member.

As to the pledge in favor of the MAOF Clearing House - see Note 26A below.

F. CLS Bank International is an inter-bank clearing house owned by the large banks in the world and is engaged in the transfer of payments resulting from currency exchange transactions, and the manner of its operation avoids the delivery risk inherent in such transactions.

The Bank is one of the three Israeli banks that serve as providers of shekel liquidity in case of a clearing default. The maximum amount of liability of the Bank in this respect amounts to NIS 1 billion, this after receiving a commitment by Bank of Israel for a parallel credit facility in this amount secured by a floating pledge on the Bank's rights to receive amounts and monetary charges in Israeli currency due and/or will be due from the Bank's customers comprising Israeli corporations.

G. 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 subsidiary 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.

Following are details of actions filed against the Bank where the amount claimed therein is material, or that by their nature have characteristics similar to those of additional actions the combined amount of which is material:

1. On May 8, 2018, the Bank received notice of an action and a motion for approval of the action as a class action suit in the amount of NIS 146 million (hereinafter together - "the motion").

   The Plaintiffs argue that the Bank concealed and did not disclose to its business customers the existing possibility of being classified as a "small business" and the practical significance of the classification of an account as a small business account as regards the retail price list, classified business customers under the default classification as a "large business" with no reasonable ground (thus applying to them the large business price list,

which is the highest commission fee list), misled its customers and acted in order to hide both their classification as large business and their right to be defined as a small business, so that those of its customers who are entitled to be defined as a small business would continue to pay charges that do not apply to them or charges in amounts higher than those which should be payable by them.

The group which the Plaintiffs wish to represent comprises "all customers of the Bank, past and present, who were or are entitled to be defined as a "small business" under the Banking Rules (Customer service) (Commission fees), 2008, and who paid fees not in accordance with the pricelist applying to a small business, as from date of entry into effect of the commission fee rules and until this day".

2. On June 5, 2023, an action brief together with a motion for approval of the action as a class action suit were received by the Bank. The claim relates to interest on credit balances in current accounts, and the amount claimed therein, which is attributed to all the Defendant banks (4 in number), amounts to between NIS 3.4 and NIS 4.8 billion. As argued in the motion, the nonpayment of interest to customers on the credit balances held in their current accounts with the banks, whether by way of directly crediting the interest and/or by way of automatically creating a deposit bearing daily interest, or in any other way, comprises unlawful conduct and lack of proper disclosure, lack of good faith, exploitation, taking advantage and violation of binding agreements and the law, as well as unjust enrichment. The motion also raises arguments regarding avoidance of information to customers regarding suitable options open to them in case of current account credit balances (which bear no interest at all), offering them suitable real-time solutions in order that such credit balances would earn some interest.
3. On June 25, 2023, an action brief together with a motion for approval of the action as a class action suit were received by the Bank. The amount stated in the action, which is attributed to all the Defendant banks (5 in number), is NIS 5 billion, and the action relates to interest on credit extended by the banks, where such credit bears variable interest on the basis of the "prime" rate (hereinafter – "the credit"). As argued in the motion, the banks are not permitted to raise the interest charged on credit at exactly the same rate at which Bank of Israel raised the interest, even though this right is seemingly established in agreements signed by customers, since the cost of sources used by banks for the purpose of extending such credit, did not rise and was not raised (due to the control of banks over these sources) at exactly the same rate (at which Bank of Israel interest was raised) but at a significantly much lower rate.

The amount of additional exposure of the Bank and of the subsidiary companies of the Bank as of December 31, 2025, in respect of pending claims, which, in the opinion of the Bank, the possibility of their materialization, in whole or in part, is not remote and in respect of which no provision has been included, amounts to NIS 60 million.

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

A further hearing was held on January 6, 2022, in which the parties stated their arguments with respect to the position of the Attorney General to the Government. On June 29, 2022, ICC submitted its summing-up brief regarding the motion, and on July 14, 2022, the Plaintiffs submitted their response summing-up brief. On August 21, 2022, the District Court issued a verdict dismissing the motion for approval. On November 13, 2022, the Plaintiffs filed an appeal against the verdict of the District Court, and on November 21, 2022 ICC filed a response on its behalf. On May 21, 2023, the replies of the Respondents to the appeal were submitted. On February 15, 2026, the Supreme Court handed down a verdict instructing the return of the proceedings to the District Court, while as to the claim with respect to violation of the duty of disclosure, it was determined that the District Court will examine the class action on its own merits and as to the claim regarding violation of the Debit Cards Act, it was determined that the District Court will hear the motion for approval in itself.

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

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

2. In accordance with the financial statements of ICC as of December 31, 2025, the amount of exposure regarding legal actions served against ICC, the realization of which, in whole or in part, is reasonably possible, totals NIS 222 million.

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

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

   On November 3, 2019, the Supreme Court approved an agreed motion for the consolidation of the hearing of the appeal with those of the appeals filed by competitors of ICC ("the consolidated appeals"). A pre-trial was held on March 5, 2020.

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

   On April 8, 2024, the VAT Director rejected most of the objections relating to the additional assessments. On July 28, 2024, the Court approved a procedural arrangement agreed upon by the parties, according to which, the decisions of the Court in the consolidated appeals would apply also to the appeal against the additional assessments.

   On August 6, 2025, the Court's ruling was issued. The District Court partially accepted the appeal and partially rejected it, and ordered the Value Added Tax Director to issue revised assessments for the Appellants, while determining that for payment transactions carried out abroad, when the card is physically present at the trading house, VAT will be charged at a zero rate. In contrast, for payment transactions with a missing document, VAT will be charged at a full rate. However, with respect to payment transactions with a missing document in certain industries where it can be assumed that the payer made the payment transaction while outside of Israel, VAT will be charged at a zero rate ("the caveat"). ICC is studying the ruling, including with respect to the meaning of the caveat and its implications. At this early stage, before revised VAT assessments have been issued (as ordered by the Court), there is an inherent difficulty in fully and accurately assessing the effects of the ruling.

   ICC is reviewing its steps regarding the appeal of the ruling.

   In the financial statements for the third quarter of 2025, ICC made an additional provision, in the amount of NIS 178 million, in respect of the ruling. The provisions of the ruling may also bind ICC in periods later than the assessment periods.

   It should be emphasized that as of the date of signing of the financial statements of ICC, it was noted that it was unable to estimate all of the accounting, economic and other implications of the ruling with certainty. The aforementioned implications may arise, among other things, from changes in the scope of activity in the areas for which the revenues discussed in the ruling are received, from the complexity of calculations affected by variables that ICC cannot fully assess, from the implications of an appeal of the ruling, if and to the extent that it is filed, from steps that ICC will take and their implications, including future agreements regarding commercial terms of engagement, and more.

   ICC has exposure to the issues discussed in the ruling for periods later than the assessment period. ICC has included a provision in its books for this exposure, in accordance with the principles of the ruling. ICC may also be liable for additional amounts, if the Value-Added Tax Director will appeal the ruling. ICC estimates the amount of exposure for which a provision was not included in its reports at approximately NIS 210 million.

I. Since July 2006, the Accountant General announces the appointment of certain entities, including the Bank, as principal market makers for Government bonds, in accordance with Section 6(a) to the State Loans Law, 1979, this as part of the reform initiated by the Ministry of Finance regarding the process of issuance of Government bonds and the operations in the secondary capital market for bonds, in order to encourage entry of additional players into the market, the increase in liquidity and transparency in trading and for reducing the cost of raising funds by the Government. The Bank began operations as a market maker on September 4, 2006.

As part of the market making activity, the Treasury has granted to the Bank a government bond borrowing facility up to an amount of NIS 1 billion, this in order to cover short sale of bonds transactions as part of the market making activity. Against borrowings in this framework, the Bank deposits funds with the Treasury in the amount of bond borrowings, which serve as a collateral for such borrowings. See also Note 26I..

J. The practice of the Bank is to grant from time to time and under accepted circumstances in banking business, letters of indemnity limited and unlimited in amounts and in period, and all in the ordinary course of business of the Bank. Among other things, letters of indemnity are granted within the framework of the clearing house provisions regarding lost checks, to receivers, liquidators, special managers, Courts of Law or Debt Execution Offices, to various providers of services, or as part of a contractual liability and to credit card companies. Furthermore, the Bank and International Issuances grant from time-to-time indemnity to trustees for debt notes issued by them, subject to the terms of the relevant trust documents.

K. Within the framework of the voluntary liquidation process of FIBI (Suisse) Ltd., which was concluded on May 25, 2020, Deloitte AG (hereinafter - "Deloitte") had been appointed in August 2018, as liquidators of the Extension. As part of their appointment as Liquidators, different indemnifications had been granted to Deloitte by FIBI (Suisse) and by the Bank in connection with the liquidation.

L. The Bank issues charge card in accordance with agreements with the credit card companies, the essence of which is described below.

During the year 2020, the Bank has signed an extension and update of two joint issuance agreement of debit card with the credit card companies, as detailed below:

- In July 2020, an agreement for joint issuance was signed with Isracard and/or Europay (Eurocard) Israel Ltd. According to the agreement, the parties to the agreement will continue the joint issuance of debit cards to the customers of the Bank. The extension of the agreement updated the commercial and operational terms, which were determined between the parties in the previous agreements.
- In the month of December 2020, a joint issuance agreement was signed with ICC and Diners Club Ltd., a fully owned company of ICC. According to the agreement, the parties will continue the joint issuance of credit cards to the customers of the Bank. The extension of the agreement updated the commercial and operational terms which were determined between the parties in the previous agreements.

During 2019, the Bank has signed a joint issuance agreement with Max It Finance Ltd. (formerly- Leumicard Ltd.) ("Max"). According to the agreement, the parties issue credit cards to the customers of the Bank, which their operation is performed by Max. In the aforementioned agreement, the rights and duties of the parties, as well as additional arrangements in respect of the described activity, were determined.

The Bank has an agreement dated 1995 with Premium Express Ltd., which regularizes the terms for the issue of American Express charge cards.

NOTE 26 - LIENS, RESTRICTIVE CONDITIONS AND COLLATERALS

A. To secure liabilities to the MAOF Clearing House for its customers and for itself as said in Note 25.E, the Bank has pledged securities in favor of the MAOF Clearing House.
Set out below is the balance of the collateral which the Bank provided to the MAOF Clearing House (in NIS million):

	December 31, 2025		Average balance for 2025		Highest balance for 2025	
	For risk fund	For customer & nostro activity	For risk fund	For customer & nostro activity	For risk fund	For customer & nostro activity
Securities	**38**	**259**	**36**	**215**	**42**	**259**
Cash deposited as collateral	**35**	**131**	**33**	**108**	**38**	**131**

	December 31, 2024		Average balance for 2024		Highest balance for 2024	
	For risk fund	For customer & nostro activity	For risk fund	For customer & nostro activity	For risk fund	For customer & nostro activity
Securities	28	151	19	150	28	219
Cash deposited as collateral	26	140	18	92	26	140

B. The Bank is a member of the Euroclear settlement system, which is a clearing house for securities that are traded in international markets. For the purpose of activity via this settlement system and as surety for a credit line in the amount of USD 40 million (or in a higher amount agreed/ to be agreed from time to time with the Bank in exceptional cases, not to exceed USD 200 million) which the settlement system operator provided to the Bank, the Bank created a pledge at an unlimited amount of cash and securities deposited with the Euroclear, for securing the activity framework.

C. To secure the obligation of the Bank to the Stock Exchange Clearing House as said in Note 25D, the Bank has pledged cash and securities in favor of the Stock Exchange Clearing House.
Set out below is the balance of the collateral which the Bank provided to the Stock Exchange Clearing House (in NIS million):

	December 31		Average balance		Highest balance	
	2025	2024	2025	2024	2025	2024
Cash deposited as collateral	**295**	557	**403**	538	**460**	677

D. As collateral for credit from Bank of Israel:

(1)- The Bank and a consolidated subsidiary, have pledged under a fixed first degree pledge unlimited in amount, all assets and rights deposited and/or registered in favor of and/or which shall be deposited and/or registered in favor of the securities accounts managed in the name of Bank of Israel at the Clearing House of the Tel Aviv stock Exchange Ltd. as well as at the Euroclear Clearing House, including all monies and all securities deposited or registered in the said accounts. Securities deposited and/or registered in favor of and/or which shall be deposited and/or registered in favor of the securities account held at the Euroclear Clearing House are also pledged under a floating pledge.

- In order to secure credit from Bank of Israel, the Bank pledged on February 14, 2023, and until August 15, 2024, in favor of Bank of Israel under a fixed first-degree pledge and an assignment by way of a pledge, unlimited in amount, all of its contractual and proprietary rights, of any kind or class, in a part of the residential loan portfolio granted to its customers, including all collateral provided by these customers as security for the said residential loans. This pledge allows the Bank to reduce the balance of other collateral provided by it to Bank of Israel from time to time, to secure the said credit.

NOTE 26 - LIENS, RESTRICTIVE CONDITIONS AND COLLATERALS (CONT'D)

Set out below are data on the collateral that were pledged to the Bank of Israel (in NIS millions):

	December 31		Average balance		Highest balance	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Securities	**217**	1,014	**310**	1,156	**555**	1,575
Housing loans	**-**	-	**-**	3,284	**-**	3,302

(2) Furthermore, the Bank and a subsidiary company thereof had created bonds, according to which, a fixed first degree pledge was registered in favor of Bank of Israel together with an assignment by way of a pledge on all their assets and rights present and future, regarding Nostro accounts and deposit accounts held with Bank of Israel (whether in Israeli currency or in foreign currency), including all funds existing from time to time in these accounts and including earnings from their securities and any right deriving from such securities deposited therein.
Furthermore, and in accordance with the terms of the bonds, Bank of Israel has the right of lien and setoff with respect to all assets of the Bank and of its subsidiary company, in possession or in control of Bank of Israel, including assets delivered to Bank of Israel as security, for safekeeping or in any other way in accordance with any provision of the law.
See Note 11 regarding cash balances and deposits with Bank of Israel.

(3) See note 25.F. in respect of a floating pledge in favor of the Bank of Israel, on the Bank's rights to receive amounts and debits in NIS, due to the Bank or which will be due to the Bank, from its customers, which are Israeli corporations, in the framework of the Bank's activity as provider in the CLS clearing house.

E. The Bank enters from time to time into engagements with counterparties, mostly Israeli and foreign banks as well as with customers comprising CSA (Credit Support Annex) annexes to ISDA agreements, within the framework of which transfers are being made that are intended to minimize the mutual credit risks arising between the parties in derivatives trading. In accordance with the CSA documents, a periodic measurement is made of the value of the inventory of derivatives transactions that were conducted between the parties, and if the net exposure of one of the parties exceeds a pre-defined limit, then that party receives from the other party monetary deposits to cover a part of the exposure.
As of December 31, 2025, the Bank has transferred deposits in favor of counterparties and customers in a total amount of NIS 821 million (December 31, 2024 - NIS 390 million) and securities in the amount of NIS 4,815 million (December 31, 2024 - NIS 2,681 million).
In addition, to secure the fulfillment of the obligation and/or the credit exposure of the Bank as above, the Bank deposited cash deposits with counterparties, as initial margin, that as of December 31, 2025 amounted to NIS 31 million (December 31, 2024 - NIS 51 million).

F. For the purpose of providing services to customers of the Bank and for the "Nostro" operations of the Bank in everything relating to certain operations in foreign securities, including global future contracts, options, lending of securities and short sales, the bank has engaged with foreign banks and/or foreign brokers (hereinafter - "the foreign brokers") for the purpose of obtaining global custody services, clearing and brokerage services, margin activity services and other global services. According to agreements with the foreign brokers, certain securities and cash of the Bank (Nostro) deposited with any of the foreign brokers, serve as collateral (by way of pledge, lien or transfer of ownership) in favor of the foreign broker securing the obligations of the Bank and/or covering the credit exposure of the foreign broker with respect to the operations of customers of the Bank and/or the Bank's Nostro operations. Furthermore, each of the foreign brokers has the right of lien and setoff with respect to cash balances standing to the credit of the Bank with the broker, including cash deposits made with the foreign broker as collateral with respect to the fulfillment of the Bank's obligations and/or the said credit exposure. Various arrangements have been made by the Bank with each of the foreign brokers regarding the value of the collateral and/or the amounts of cash on deposit with the foreign broker.

NOTE 26 - LIENS, RESTRICTIVE CONDITIONS AND COLLATERALS (CONT'D)

As of December 31, 2025, the value of Nostro securities deposited by the Bank as collateral with all the foreign brokers amounted in total to NIS 80 million (December 31, 2024 - NIS 91 million), and the cash balances standing to the credit of the Bank with all the foreign brokers (including cash deposits, as stated) amounted to a total of NIS 3,076 million (December 31, 2024 - NIS 1,505 million).

G. The Bank receives from a foreign bank foreign currency clearing services through the CLS clearing house. In order to secure the credit exposure of the foreign bank to the Bank with respect to the clearing of foreign currency transactions through the CLS, the Bank had deposited with the foreign bank a cash amount of US$ 50 million. The deposit serves as collateral and is subject to lien and offsetting rights of the foreign bank in connection with the clearing activity in the CLS clearing house.

H. Failure arrangements in the Central Bank Clearing (MASAB) and Automated Banking Services (ATM) payment systems - Within the framework of Bank of Israel guidelines for the matching of the payments system operations to accepted international arrangements (PFMI standards), failure arrangements have been formed for these payment systems, with a view of ensuring the timely conclusion of the daily clearing in case of failure of a participant. The failure arrangements relevant to the whole banking system have been formed by Bank of Israel, operators of the systems and the participants therein, and they state detailed principles and procedures, which allow the operator of the system, in case of failure of a participant, to continue and conduct the daily clearing in full and in time, while using the funds deposited as collateral in designated accounts with Bank of Israel, in favor of the failure arrangement by the participant in the system, and which are managed on their behalf by operators of the system. The amount of collateral which each bank has to deposit as part of the failure arrangement, is determined in accordance with the volume of operations of each bank in each payment system. As of December 31, 2025, the amount of collateral deposited by the Bank and subsidiary company mounts to NIS 515 million in the account of MASAB with the Bank of Israel and NIS 22 million in the account of Automated Banking Services (ATM) with the Bank of Israel (of which NIS 11 million is in respect of Massad Bank represented by the Bank). The failure arrangement regarding the MASAB system became effective on May 1, 2023, and that regarding the ATM system became effective on April 30, 2023.
Participants in the payments systems are promoting the drafting of agreements for the pledging of the said collateral funds in favor of all participants.

I. Set out below are details of the securities that were pledged to lenders as stated in A, D and F where the lenders are not entitled to sell or pledge them (in NIS million):

	December 31,	
	2025	**2024**
Securities held to maturity	**514**	515
Bonds available for sale	**80**	769
Total	**594**	1,284

J. Set out below are the sources of the securities that were received and which the Bank is entitled to sell (in NIS million):

	December 31,	
	2025	**2024**
Securities received in securities lending transactions in return for cash	**355**	70
Securities received under non-collateralized securities lending transaction	**3,941**	2,548
Total	**4,296**	2,618

NOTE 27 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES

(NIS million)

A. Volume of activity on a consolidated basis

1. Face value of derivative instruments

	December 31, 2025			December 31, 2024		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts						
Forward and Futures Contracts	**893**	**5,891**	**6,784**	309	4,451	4,760
Options written	**-**	**1,062**	**1,062**	-	449	449
Options purchased	**-**	**1,062**	**1,062**	-	449	449
SWAPS[1]	**1,412**	**6,642**	**8,054**	2,672	13,684	16,356
Total[2]	**2,305**	**14,657**	**16,962**	2,981	19,033	22,014
Of which: Hedging derivatives[3]	**1,412**	**-**	**1,412**	1,572	-	1,572
Foreign currency contracts						
Forward and Futures Contracts[4]	**32,318**	**106,866**	**139,184**	22,473	82,472	104,945
Options written	**-**	**6,762**	**6,762**	-	6,014	6,014
Options purchased	**-**	**6,655**	**6,655**	-	6,104	6,104
SWAPS	**-**	**-**	**-**	8	-	8
Total	**32,318**	**120,283**	**152,601**	22,481	94,590	117,071
Contracts on shares						
Forward and Futures Contracts	**-**	**92,648**	**92,648**	-	37,903	37,903
Options written	**-**	**29,753**	**29,753**	-	18,735	18,735
Options purchased[5]	**-**	**29,747**	**29,747**	1	18,729	18,730
Total	**-**	**152,148**	**152,148**	1	75,367	75,368
Commodities and other contracts						
Forward and Futures Contracts	**-**	**647**	**647**	-	229	229
Options written	**-**	**814**	**814**	-	199	199
Options purchased	**-**	**814**	**814**	-	199	199
Total	**-**	**2,275**	**2,275**	-	627	627
Total face value	**34,623**	**289,363**	**323,986**	25,463	189,617	215,080

(1) Of which: SWAPS the Bank is paying fixed interest in an amount of NIS 4,862 million (31.12.24 - NIS 8,942 million).
(2) Of which: NIS-CPI swap contracts in an amount of NIS 840 million (31.12.24 - NIS 655 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 2,082 million (31.12.24 - NIS 2,958 million).
(5) Of which: Traded on the Stock Exchange in an amount of NIS 29,722 million (31.12.24 - NIS 18,700 million).

NOTE 27 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

2. Gross fair value of derivative instruments

	December 31, 2025					
	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	**49**	**84**	**133**	**21**	**73**	**94**
Of which: Hedging derivatives	**47**	**-**	**47**	**1**	**-**	**1**
Foreign currency contracts	**105**	**1,941**	**2,046**	**287**	**2,205**	**2,492**
Contracts on shares	**-**	**1,727**	**1,727**	**-**	**1,727**	**1,727**
Commodities and other contracts	**-**	**28**	**28**	**-**	**28**	**28**
Total assets/liabilities in respect of derivatives gross[1]	**154**	**3,780**	**3,934**	**308**	**4,033**	**4,341**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**154**	**3,780**	**3,934**	**308**	**4,028**	**4,336**
Of which: not subject to net settlement arrangement or similar arrangements	**-**	**-**	**-**	**-**	**-**	**-**

	December 31, 2024					
	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	112	245	357	24	211	235
Of which: Hedging	101	-	101	1	-	1
Foreign currency contracts	56	865	921	108	1,104	1,212
Contracts on shares	1	1,280	1,281	-	1,280	1,280
Commodities and other contracts	-	6	6	-	6	6
Total assets/liabilities in respect of derivatives gross	169	2,396	2,565	132	2,601	2,733
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	169	2,396	2,565	132	2,597	2,729
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 the amount of NIS 5 million (31.12.24 – NIS 4 million).

NOTE 27 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

B. Accounting hedge

General

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

Fair value hedges

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

		For the year ended December 31, 2025	For the year ended December 31, 2024
		Interest income	Interest income
1.	**Effect of accounting of fair value Hedge on profit (loss)**		
	Profit from fair value Hedge		
	Interest contracts		
	- Hedged items	**51**	16
	- Hedging derivatives	**(17)**	41

		December 31, 2025		December 31, 2024	
			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
2.	**Items Hedged by fair value Hedge**				
	Securities- debt instruments classified as available for sale	**1,390**	**(48)**	1,492	(98)

NOTE 27 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

		For the year ended December 31, 2025	For the year ended December 31, 2024
		Profit recognized in income from activity in derivative instruments[1]	Profit recognized in income from activity in derivative instruments[1]
3.	**Effect of derivatives which were not designated as hedging instruments on statement of income**		
	Derivatives which were not designated as hedging instruments		
	- Interest contracts	**(1)**	138
	- Foreign currency contracts	**(1,256)**	122
	- Share contracts	**6**	5

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

C. Credit risk in respect of derivatives instruments, according to transaction counterparty on a consolidated basis

	December 31, 2025						
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments	**786**	**1,470**	**273**	**191**	**667**	**547**	**3,934**
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	**-**	**(862)**	**(54)**	**-**	**(215)**	**(105)**	**(1,236)**
Credit risk mitigation in respect of cash collateral received	**-**	**(112)**	**(37)**	**(171)**	**(358)**	**(1)**	**(679)**
Net amount of assets in respect of derivative instruments- reflecting proforma, if the entity performed setoff of assets and liabilities	**786**	**496**	**182**	**20**	**94**	**441**	**2,019**
Adjustment of net balance sheet balance to balance sheet credit risk	**(757)**	**(391)**	**(162)**	**-**	**(12)**	**(2)**	**(1,324)**
Balance sheet credit risk in respect of derivatives instruments	**29**	**105**	**20**	**20**	**82**	**439**	**695**
Net off balance sheet credit risk in respect of derivative instruments[1]	**67**	**619**	**64**	**62**	**3,551**	**777**	**5,140**
Total credit risk in respect of derivative instruments	**96**	**724**	**84**	**82**	**3,633**	**1,216**	**5,835**
Balance sheet balance of liabilities in respect of derivative instruments	**232**	**1,533**	**207**	**-**	**1,805**	**559**	**4,336**
Gross amounts not offset in the balance sheet:							
Financial instruments	**-**	**(862)**	**(54)**	**-**	**(215)**	**(105)**	**(1,236)**
Cash collateral which was attached by a lien	**-**	**(467)**	**(10)**	**-**	**(601)**	**(1)**	**(1,079)**
Net amount of liabilities in respect of derivative instruments	**232**	**204**	**143**	**-**	**989**	**453**	**2,021**

NOTE 27 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

	December 31, 2024						
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments	532	626	370	16	681	340	2,565
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(356)	(100)	(4)	(152)	(104)	(716)
Credit risk mitigation in respect of cash collateral received	-	(156)	(137)	(12)	(457)	(1)	(763)
Net amount of assets in respect of derivative instruments- reflecting proforma, if the entity performed setoff of assets and liabilities	532	114	133	-	72	235	1,086
Adjustment of net balance sheet balance to balance sheet credit risk	(532)	(55)	(124)	-	(6)	(1)	(718)
Balance sheet credit risk in respect of derivatives instruments	-	59	9	-	66	234	368
Net off balance sheet credit risk in respect of derivative instruments[1]	1	444	38	21	2,264	802	3,570
Total credit risk in respect of derivative instruments	1	503	47	21	2,330	1,036	3,938
Balance sheet balance of liabilities in respect of derivative instruments	120	898	193	4	1,171	343	2,729
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(355)	(100)	(4)	(152)	(105)	(716)
Cash collateral which was attached by a lien	-	(82)	(7)	-	(290)	(1)	(380)
Net amount of liabilities in respect of derivative instruments	120	461	86	-	729	237	1,633

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

NOTE 27 - DERIVATIVE FINANCIAL INSTRUMENTS - VOLUME, CREDIT RISKS AND MATURITY DATES (CONT'D)

(NIS million)

D. Maturity dates (stated value amounts): year-end balance on consolidated basis

	December 31, 2025				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Interest rate contracts -					
- NIS - CPI	**200**	**450**	**190**	**-**	**840**
- Other	**8,300**	**2,158**	**3,978**	**1,686**	**16,122**
Foreign currency contracts	**107,667**	**43,975**	**959**	**-**	**152,601**
Contracts of shares	**148,376**	**2,825**	**947**	**-**	**152,148**
Commodities and other contracts	**2,273**	**2**	**-**	**-**	**2,275**
Total	**266,816**	**49,410**	**6,074**	**1,686**	**323,986**

	December 31, 2024				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	163,576	40,771	8,207	2,526	215,080

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS

The reporting on segments of operations is in accordance with the format and classifications established in the Public Reporting Directives of the Banking Supervision Department, as detailed below:

- **Private banking segment** - private individuals the balance of their financial asset portfolio, on a consolidated basis, held with the bank (including monetary deposits, securities portfolios and other financial assets) exceeds NIS 3 million.
- **Households** - private individuals, excluding customers included in the private banking segment.
- **Minute business** - a business the annual turnover of which is less than NIS 10 million.
- **Small business** - a business the annual turnover of which is higher than or equal to NIS 10 million and is lower than NIS 50 million.
- **Middle-market business** - a business the annual turnover of which is higher than or equal to NIS 50 million and is lower than NIS 250 million.
- **Large business** - a business the annual turnover of which is higher than or equal to NIS 250 million.

  Where the income turnover of business customer does not represent its volume of activity, the activity of the business customer was classified according to the said below: where the total indebtedness of the business customer is equal to or exceeds NIS 100 million, the customer was classified to large business segment. In addition, business customer operating in the capital market or in the real estate segment, which indebtedness is less than NIS 100 million, the classification to customers' segments is made in accordance to the value of assets in the balance sheet.

- **Institutional entities**- as defined in the Regulation of Engagement in Investment Consulting activity, Investment Marketing and Investment Portfolio Management Act, including provident funds, pension funds, further education funds, mutual trust funds, ETF's, insurance companies and stock exchange members managing customers funds.
- **Financial management segment** - includes trading and asset and liability management operations as defined in the Directives of the Supervisor of Banks. The segment includes the Bank's share in the earning of ICC.

Principles for apportioning operating results among the different segments

- Net interest income-includes:
  - The financial margin between borrowing and lending activity, which is calculated as the spread between the interest obtained or paid and the average prices of money for the Bank, which derive from the duration of assets or liabilities in the relevant linkage segments.
  - Interest on the weighted capital attributed to the segment (on the basis of the risk assets attributed to each segment).
  - The customer segments are charged with the excess financing costs (over and above the cost of raising sources) of the capital notes attributed to the segment.
- Expenses on credit losses - Expenses on credit losses which were recorded in respect of its customers are attributed to each segment of activity.
- Non-interest income - Commission income, non-interest financing income and other income deriving from its customers' activity are charged to each segment of activity.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

- Operating expenses - Attributed to each segment of activity are the direct expenses at the branches of the Bank and the head office deriving from the provision of services to the segment's customers, according to loading methodology, as follow:
  - Direct costs include:
- Salary and organization (mostly marketing and advertising and communications) expenses in the branches - are loaded on the basis of the "activity index" standard, which translates activity with customers into labor inputs.
- Computer expenses at the branches- are loaded in accordance with the number of transactions carried out by the customers.
- Salary, organization and computer expenses of the business units at head office- are loaded in accordance with loading parameters, corresponding with the nature of activity of the customer (such as: distribution of credit balances, number and volume of transactions).
  - The indirect expenses including the expenses of the head office and computer expenses of the back-office divisions and the general computer expenses which are not classified- these expenses are loaded in accordance to the nature of the expense. Most of the indirect expenses are loaded according to the distribution of the direct expenses, and the remaining expenses according to the distribution of income.
- Taxes on income - The provision for taxes on the earnings of each segment is calculated in accordance with the statutory rate of tax, with certain adjustments deriving from such factors as unrecognized expenses.
- Minority interest in net earnings - The charging of minority interest in the different segments of activity is calculated on the basis of the net earnings of subsidiaries with minority interest, as these earnings are attributed to the different segments of activity.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

Operational supervision segment information

Consolidated	For the year ended December 31, 2025							
	Activity in Israel							
	Households	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
								(NIS million)
Interest income from external	3,244	4	1,227	522	1,948	29	4,797	11,771
Interest expense from external	1,524	410	630	194	1,006	2,852	333	6,949
Net interest income								
- From external	1,720	(406)	597	328	942	(2,823)	4,464	4,822
- Inter - segment	791	525	405	(33)	(213)	3,078	(4,553)	-
Total net interest income (expenses)	2,511	119	1,002	295	729	255	(89)	4,822
Non-interest income	673	143	380	77	233	288	306	2,100
Total income	3,184	262	1,382	372	962	543	217	6,922
Expenses (income) from credit losses	53	-	(14)	(63)	43	1	(1)	19
Operating and other expenses	1,646	118	649	116	302	283	76	3,190
Operating profit before taxes	1,485	144	747	319	617	259	142	3,713
Provision for taxes on operating profit	554	54	279	119	230	97	53	1,386
Operating profit after taxes	931	90	468	200	387	162	89	2,327
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	35	35
Net profit:								
Before attribution to non-controlling interests	931	90	468	200	387	162	124	2,362
Attributed to non-controlling interests	(79)	(2)	(9)	(4)	3	-	(11)	(102)
Net profit attributed to shareholders of the Bank	852	88	459	196	390	162	113	2,260
Average balance of assets[1]	59,798	133	18,535	7,912	48,063	1,471	125,993	261,905
of which: Investee Company[1]	-	-	-	-	-	-	866	866
of which: Average balance of credit to the public[1]	59,798	133	18,535	7,912	48,063	1,471	-	135,912
Balance of credit to the public at the end of the reported period	[4]62,727	180	18,706	9,241	54,935	2,225	-	148,014
Balance of non-accruing debts and debts arrears over 90 days	365	-	147	78	85	-	-	675
Balance of other problematic debts	236	-	149	76	294	-	-	755
Balance of provision for credit losses at the end of the reported period	653	-	457	134	395	1	2	1,642
Net accounting write-offs at the end of the reported period	25	-	(14)	(1)	(29)	-	-	(19)
Average balance of liabilities[1]	70,757	11,739	25,307	6,545	24,165	90,344	18,170	247,027
of which: Average balance of deposits from the public[1]	69,977	11,728	24,951	6,356	23,331	90,271	-	226,614
Balance of deposits from the public at the end of the reported period	68,328	11,760	25,206	6,968	32,879	93,368	-	238,509
Average balance of risk assets[1][2]	42,094	540	17,204	9,313	39,732	3,441	14,339	126,663
Balance of risk assets[2]	42,853	561	16,795	9,892	42,506	3,937	17,060	133,604
Average balance of assets under management[1][3]	55,184	41,499	32,588	6,858	22,105	624,856	-	783,090
Segmentation of net interest income (expenses):								
- Earnings from credit - granting activity	864	1	474	172	482	16	-	2,009
- Earnings from deposits - taking activity	1,507	116	465	90	97	226	-	2,501
- Other	140	2	63	33	150	13	(89)	312
Total net interest income (expenses)	2,511	119	1,002	295	729	255	(89)	4,822

(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 housing loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,957 million.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Operational supervision segment information (CON'T)

Consolidated	For the year ended December 31, 2024							
	Activity in Israel							
	Households	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total activity in Israel
								(NIS million)
Interest income from external	3,279	3	1,201	518	1,716	21	4,359	11,097
Interest expense from external	1,674	457	725	206	803	2,291	201	6,357
Net interest income								
- From external	1,605	(454)	476	312	913	(2,270)	4,158	4,740
- Inter - segment	1,062	585	567	-	(226)	2,478	(4,466)	-
Total net interest income (expenses)	2,667	131	1,043	312	687	208	(308)	4,740
Non-interest income	625	115	358	70	169	231	438	2,006
Total income	3,292	246	1,401	382	856	439	130	6,746
Expenses (income) from credit losses	26	1	44	(2)	(84)	(2)	1	(16)
Operating and other expenses	1,555	103	644	120	245	214	96	2,977
Operating profit before taxes	1,711	142	713	264	695	227	33	3,785
Provision for taxes on operating profit	625	52	261	96	254	83	12	1,383
Operating profit after taxes	1,086	90	452	168	441	144	21	2,402
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	74	74
Net profit:								
Before attribution to non-controlling interests	1,086	90	452	168	441	144	95	2,476
Attributed to non-controlling interests	(80)	(2)	(9)	(5)	(3)	-	(6)	(105)
Net profit attributed to shareholders of the Bank	1,006	88	443	163	438	144	89	2,371
Average balance of assets[1]	57,298	101	18,196	7,367	36,852	914	110,734	231,462
of which: Investee Company[1]	-	-	-	-	-	-	821	821
of which: Average balance of credit to the public[1]	57,298	101	18,196	7,367	36,852	914	-	120,728
Balance of credit to the public at the end of the reported period	[4]59,514	137	18,160	7,342	44,725	1,172	-	131,050
Balance of non-accruing debts and debts arrears over 90 days	307	-	180	106	102	-	-	695
Balance of other problematic debts	205	-	263	242	347	-	-	1,057
Balance of provision for credit losses at the end of the reported period	628	-	509	167	330	-	3	1,637
Net accounting write-offs at the end of the reported period	8	-	(3)	5	(55)	-	-	(45)
Average balance of liabilities[1]	73,622	12,101	26,963	6,506	20,253	64,797	13,921	218,163
of which: Average balance of deposits from the public[1]	73,087	12,089	26,659	6,325	19,828	64,729	-	202,717
Balance of deposits from the public at the end of the reported period	72,216	12,449	26,553	6,566	24,014	72,957	-	214,755
Average balance of risk assets[1][2]	40,448	478	17,038	8,669	32,269	2,184	12,000	113,086
Balance of risk assets[2]	41,123	484	17,621	8,636	36,752	2,746	13,481	120,843
Average balance of assets under management[1][3]	46,641	32,218	28,492	5,823	16,300	419,379	-	548,853
Segmentation of net interest income (expenses):								
- Earnings from credit - granting activity	957	1	472	178	456	9	-	2,073
- Earnings from deposits - taking activity	1,575	128	508	103	112	188	-	2,614
- Other	135	2	63	31	119	11	(308)	53
Total net interest income (expense)	2,667	131	1,043	312	687	208	(308)	4,740

(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 housing loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,979 million.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Operational supervision segment information (CON'T)

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

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Including housing loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 2,011 million.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Private individuals - household and private banking - activity in Israel

Consolidated	For the year ended December 31, 2025							
	Households segment				Private banking segment			
	Housing loans	Credit cards	other	Total	Credit cards	other	Total	Total
								(NIS million)
Interest income from externals	1,748	34	1,462	3,244	-	4	4	3,248
Interest expenses for externals	-	-	1,524	1,524	-	410	410	1,934
Net interest income								
- From externals	1,748	34	(62)	1,720	-	(406)	(406)	1,314
- Inter-segmental	(1,324)	(19)	2,134	791	-	525	525	1,316
Total net interest income	424	15	2,072	2,511	-	119	119	2,630
Non-interest income	8	114	551	673	2	141	143	816
Total income	432	129	2,623	3,184	2	260	262	3,446
Expenses (income) from credit losses	(3)	-	56	53	-	-	-	53
Operating and other expenses	186	46	1,414	1,646	1	117	118	1,764
Profit before taxes	249	83	1,153	1,485	1	143	144	1,629
Provision for taxes on profit	93	31	430	554	-	54	54	608
Net profit:								
Before attribution to non-controlling interests	156	52	723	931	1	89	90	1,021
Attributed to non-controlling interests	-	(3)	(76)	(79)	-	(2)	(2)	(81)
Net profit attributed to shareholders of the Bank	156	49	647	852	1	87	88	940
Average balance of assets[1]	37,426	4,403	17,969	59,798	78	55	133	59,931
Of which: average balance of credit to the public [1]	37,426	4,403	17,969	59,798	78	55	133	59,931
Balance of credit to the public at the end of the reported period	[4]38,958	4,562	19,207	62,727	85	95	180	62,907
Balance of non-accruing debts	242	1	106	349	-	-	-	349
Balance of debts in arrears of more than 90 days	-	-	16	16	-	-	-	16
Average balance of liabilities[1]	409	71	70,277	70,757	2	11,737	11,739	82,496
Of which: average balance of deposit from the public [1]	-	-	69,977	69,977	-	11,728	11,728	81,705
Balance of deposits from the public at the end of the reported period	-	-	68,328	68,328	-	11,760	11,760	80,088
Average balance of risk-adjusted assets[1][2]	19,431	3,973	18,690	42,094	92	448	540	42,634
Balance of risk-adjusted assets at the end of the reported period[2]	20,201	4,001	18,651	42,853	102	459	561	43,414
Average balance of assets under management[1][3]	-	-	55,184	55,184	-	41,499	41,499	96,683
Segmentation of net interest income:								
- Spread from credit granting activity	348	15	501	864	-	1	1	865
- Spread from deposit taking activity	-	-	1,507	1,507	-	116	116	1,623
- Other	76	-	64	140	-	2	2	142
Total net interest income	424	15	2,072	2,511	-	119	119	2,630

(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 housing loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,957 million.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Private individuals - household and private banking - activity in Israel (CON'T)

Consolidated	For the year ended December 31, 2024							
	Households segment				Private banking segment			
	Housing loans	Credit cards	other	Total	Credit cards	other	Total	Total
								(NIS million)
Interest income from externals	1,773	35	1,471	3,279	-	3	3	3,282
Interest expenses for externals	-	-	1,674	1,674	-	457	457	2,131
Net interest income								
- From externals	1,773	35	(203)	1,605	-	(454)	(454)	1,151
- Inter-segmental	(1,296)	(21)	2,379	1,062	-	585	585	1,647
Total net interest income	477	14	2,176	2,667	-	131	131	2,798
Non-interest income	9	105	511	625	2	113	115	740
Total income	486	119	2,687	3,292	2	244	246	3,538
Expenses (income) from credit losses	(27)	-	53	26	-	1	1	27
Operating and other expenses	158	43	1,354	1,555	1	102	103	1,658
Profit before taxes	355	76	1,280	1,711	1	141	142	1,853
Provision for taxes on profit	130	28	467	625	-	52	52	677
Net profit:								
Before attribution to non-controlling interests	225	48	813	1,086	1	89	90	1,176
Attributed to non-controlling interests	-	(3)	(77)	(80)	-	(2)	(2)	(82)
Net profit attributed to shareholders of the Bank	225	45	736	1,006	1	87	88	1,094
Average balance of assets[1]	35,763	3,316	18,219	57,298	45	56	101	57,399
Of which: average balance of credit to the public [1]	35,763	3,316	18,219	57,298	45	56	101	57,399
Balance of credit to the public at the end of the reported period	[4]36,396	4,437	18,681	59,514	71	66	137	59,651
Balance of non-accruing debts	183	1	105	289	-	-	-	289
Balance of debts in arrears of more than 90 days	-	-	18	18	-	-	-	18
Average balance of liabilities[1]	454	78	73,090	73,622	1	12,100	12,101	85,723
Of which: average balance of deposit from the public [1]	-	-	73,087	73,087	-	12,089	12,089	85,176
Balance of deposits from the public at the end of the reported period	-	-	72,216	72,216	-	12,449	12,449	84,665
Average balance of risk-adjusted assets[1][2]	18,518	3,085	18,845	40,448	57	421	478	40,926
Balance of risk-adjusted assets at the end of the reported period[2]	18,794	3,919	18,410	41,123	77	407	484	41,607
Average balance of assets under management[1][3]	-	-	46,641	46,641	-	32,218	32,218	78,859
Segmentation of net interest income:								
- Spread from credit granting activity	405	14	538	957	-	1	1	958
- Spread from deposit taking activity	-	-	1,575	1,575	-	128	128	1,703
- Other	72	-	63	135	-	2	2	137
Total net interest income	477	14	2,176	2,667	-	131	131	2,798

(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 housing loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,979 million.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Private individuals - household and private banking - activity in Israel (CON'T)

Consolidated	For the year ended December 31, 2023							
	Households segment				Private banking segment			
	Housing loans	Credit cards	other	Total	Credit cards	other	Total	Total
								(NIS million)
Interest income from externals	1,723	25	1,555	3,303	-	2	2	3,305
Interest expenses for externals	-	-	1,366	1,366	-	368	368	1,734
Net interest income								
- From externals	1,723	25	189	1,937	-	(366)	(366)	1,571
- Inter-segmental	(1,205)	(12)	2,014	797	-	494	494	1,291
Total net interest income	518	13	2,203	2,734	-	128	128	2,862
Non-interest income	12	101	491	604	2	93	95	699
Total income	530	114	2,694	3,338	2	221	223	3,561
Expenses from credit losses	40	-	147	187	-	1	1	188
Operating and other expenses	154	47	1,291	1,492	-	91	91	1,583
Profit before taxes	336	67	1,256	1,659	2	129	131	1,790
Provision for taxes on profit	113	23	423	559	-	44	44	603
Net profit:								
Before attribution to non-controlling interests	223	44	833	1,100	2	85	87	1,187
Attributed to non-controlling interests	-	(3)	(82)	(85)	-	(2)	(2)	(87)
Net profit attributed to shareholders of the Bank	223	41	751	1,015	2	83	85	1,100
Average balance of assets[1]	35,450	3,146	18,714	57,310	37	46	83	57,393
Of which: average balance of credit to the public [1]	35,450	3,146	18,714	57,310	37	46	83	57,393
Balance of credit to the public at the end of the reported period	[4]35,450	3,853	18,328	57,631	50	48	98	57,729
Balance of non-accruing debts	205	1	90	296	-	-	-	296
Balance of debts in arrears of more than 90 days	-	-	17	17	-	-	-	17
Average balance of liabilities[1]	465	81	69,333	69,879	1	10,861	10,862	80,741
Of which: average balance of deposits from the public [1]	-	-	69,253	69,253	-	10,852	10,852	80,105
Balance of deposits from the public at the end of the reported period	-	-	72,207	72,207	-	11,733	11,733	83,940
Average balance of risk-adjusted assets[1][2]	18,399	2,954	18,814	40,167	44	374	418	40,585
Balance of risk-adjusted assets at the end of the reported period[2]	18,390	3,518	17,999	39,907	56	359	415	40,322
Average balance of assets under management[1][3]	-	-	39,786	39,786	-	28,185	28,185	67,971
Segmentation of net interest income:								
- Spread from credit granting activity	448	13	627	1,088	-	1	1	1,089
- Spread from deposit taking activity	-	-	1,518	1,518	-	125	125	1,643
- Other	70	-	58	128	-	2	2	130
Total net interest income	518	13	2,203	2,734	-	128	128	2,862

(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 housing loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 2,011 million.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Small and minute, medium and large business - activity in Israel

Consolidated	For the year ended December 31, 2025									
	Small and minute business segment			Medium business segment			Large business segment			
	Const. & real estate	other	Total	Const. & real estate	other	Total	Const. & real estate	other	Total	Total
										(NIS million)
Interest income from externals	200	1,027	1,227	68	454	522	247	1,701	1,948	3,697
Interest expenses for externals	-	630	630	-	194	194	-	1,006	1,006	1,830
Net interest income										
- From externals	200	397	597	68	260	328	247	695	942	1,867
- Inter-segmental	25	380	405	12	(45)	(33)	60	(273)	(213)	159
Total net interest income	225	777	1,002	80	215	295	307	422	729	2,026
Non-interest income	36	344	380	13	64	77	42	191	233	690
of which: income from credit cards	-	28	28	-	2	2	-	1	1	31
Total income	261	1,121	1,382	93	279	372	349	613	962	2,716
Expenses (income) from credit losses	(8)	(6)	(14)	(25)	(38)	(63)	43	-	43	(34)
Operating and other expenses	94	555	649	21	95	116	65	237	302	1,067
Profit before taxes	175	572	747	97	222	319	241	376	617	1,683
Provision for taxes on profit	65	214	279	36	83	119	90	140	230	628
Net profit:										
Before attribution to non-controlling interests	110	358	468	61	139	200	151	236	387	1,055
Attributed to non-controlling interests	(2)	(7)	(9)	(1)	(3)	(4)	-	3	3	(10)
Net profit attributed to shareholders of the Bank	108	351	459	60	136	196	151	239	390	1,045
Average balance of assets[1]	5,743	12,792	18,535	2,329	5,583	7,912	10,833	37,230	48,063	74,510
Of which: average balance of credit to the public [1]	5,743	12,792	18,535	2,329	5,583	7,912	10,833	37,230	48,063	74,510
Balance of credit to the public at the end of the reported period	6,185	12,521	18,706	2,627	6,614	9,241	13,434	41,501	54,935	82,882
Balance of non-accruing debts	43	97	140	12	66	78	-	85	85	303
Balance of debts in arrears of more than 90 days	-	7	7	-	-	-	-	-	-	7
Average balance of liabilities[1]	3,505	21,802	25,307	908	5,637	6,545	1,736	22,429	24,165	56,017
Of which: average balance of deposits from the public [1]	3,367	21,584	24,951	844	5,512	6,356	1,404	21,927	23,331	54,638
Balance of deposits from the public at the end of the reported period	3,243	21,963	25,206	670	6,298	6,968	2,348	30,531	32,879	65,053
Average balance of risk-adjusted assets[1][2]	6,812	10,392	17,204	3,152	6,161	9,313	15,775	23,957	39,732	66,249
Balance of risk-adjusted assets at the end of the reported period[2]	6,911	9,884	16,795	3,799	6,093	9,892	17,870	24,636	42,506	69,193
Average balance of assets under management[1][3]	3,146	29,442	32,588	581	6,277	6,858	1,851	20,254	22,105	61,551
Segmentation of net interest income:										
- Spread from credit granting activity	146	328	474	57	115	172	235	247	482	1,128
- Spread from deposit taking activity	54	411	465	11	79	90	12	85	97	652
- Other	25	38	63	12	21	33	60	90	150	246
Total net interest income	225	777	1,002	80	215	295	307	422	729	2,026

(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.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Small and minute, medium and large business - activity in Israel (CON'T)

Consolidated	For the year ended December 31, 2024									
	Small and minute business segment			Medium business segment			Large business segment			
	Const. & real estate	other	Total	Const. & real estate	other	Total	Const. & real estate	other	Total	Total
										(NIS million)
Interest income from externals	203	998	1,201	77	441	518	211	1,505	1,716	3,435
Interest expenses for externals	-	725	725	-	206	206	-	803	803	1,734
Net interest income										
- From externals	203	273	476	77	235	312	211	702	913	1,701
- Inter-segmental	24	543	567	12	(12)	-	47	(273)	(226)	341
Total net interest income	227	816	1,043	89	223	312	258	429	687	2,042
Non-interest income	37	321	358	16	54	70	35	134	169	597
of which: income from credit cards	-	25	25	-	2	2	-	1	1	28
Total income	264	1,137	1,401	105	277	382	293	563	856	2,639
Expenses (income) from credit losses	52	(8)	44	(2)	-	(2)	58	(142)	(84)	(42)
Operating and other expenses	95	549	644	27	93	120	57	188	245	1,009
Profit before taxes	117	596	713	80	184	264	178	517	695	1,672
Provision for taxes on profit	43	218	261	29	67	96	65	189	254	611
Net profit:										
Before attribution to non-controlling interests	74	378	452	51	117	168	113	328	441	1,061
Attributed to non-controlling interests	(1)	(8)	(9)	(1)	(4)	(5)	-	(3)	(3)	(17)
Net profit attributed to shareholders of the Bank	73	370	443	50	113	163	113	325	438	1,044
Average balance of assets[1]	5,601	12,595	18,196	2,498	4,869	7,367	8,879	27,973	36,852	62,415
Of which: average balance of credit to the public [1]	5,601	12,595	18,196	2,498	4,869	7,367	8,879	27,973	36,852	62,415
Balance of credit to the public at the end of the reported period	6,245	11,915	18,160	2,287	5,055	7,342	10,339	34,386	44,725	70,227
Balance of non-accruing debts	30	141	171	1	105	106	13	89	102	379
Balance of debts in arrears of more than 90 days	1	8	9	-	-	-	-	-	-	9
Average balance of liabilities[1]	3,776	23,187	26,963	1,127	5,379	6,506	1,668	18,585	20,253	53,722
Of which: average balance of deposits from the public [1]	3,634	23,025	26,659	1,053	5,272	6,325	1,378	18,450	19,828	52,812
Balance of deposits from the public at the end of the reported period	3,606	22,947	26,553	1,160	5,406	6,566	1,718	22,296	24,014	57,133
Average balance of risk-adjusted assets[1][2]	6,594	10,444	17,038	3,366	5,303	8,669	12,439	19,830	32,269	57,976
Balance of risk-adjusted assets at the end of the reported period[2]	6,501	11,120	17,621	3,653	4,983	8,636	11,703	25,049	36,752	63,009
Average balance of assets under management[1][3]	2,774	25,718	28,492	417	5,406	5,823	1,963	14,337	16,300	50,615
Segmentation of net interest income:										
- Spread from credit granting activity	144	328	472	66	112	178	199	257	456	1,106
- Spread from deposit taking activity	59	449	508	11	92	103	12	100	112	723
- Other	24	39	63	12	19	31	47	72	119	213
Total net interest income	227	816	1,043	89	223	312	258	429	687	2,042

(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.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Small and minute, medium and large business - activity in Israel (CON'T)

Consolidated	For the year ended December 31, 2023									
	Small and minute business segment			Medium business segment			Large business segment			
	Const. & real estate	other	Total	Const. & real estate	other	Total	Const. & real estate	other	Total	Total
										(NIS million)
Interest income from externals	244	1,092	1,336	70	438	508	184	1,355	1,539	3,383
Interest expenses for externals	-	632	632	-	202	202	-	638	638	1,472
Net interest income										
- From externals	244	460	704	70	236	306	184	717	901	1,911
- Inter-segmental	27	417	444	11	7	18	42	(270)	(228)	234
Total net interest income	271	877	1,148	81	243	324	226	447	673	2,145
Non-interest income	38	328	366	17	57	74	43	128	171	611
of which: income from credit cards	-	24	24	-	2	2	-	1	1	27
Total income	309	1,205	1,514	98	300	398	269	575	844	2,756
Expenses from credit losses	42	147	189	18	39	57	36	32	68	314
Operating and other expenses	103	579	682	23	104	127	51	181	232	1,041
Profit before taxes	164	479	643	57	157	214	182	362	544	1,401
Provision for taxes on profit	55	161	216	19	53	72	61	122	183	471
Net profit:										
Before attribution to non-controlling interests	109	318	427	38	104	142	121	240	361	930
Attributed to non-controlling interests	(1)	(7)	(8)	(1)	(1)	(2)	-	(2)	(2)	(12)
Net profit attributed to shareholders of the Bank	108	311	419	37	103	140	121	238	359	918
Average balance of assets[1]	6,484	12,859	19,343	2,077	5,511	7,588	8,018	24,238	32,256	59,187
Of which: average balance of credit to the public [1]	6,484	12,859	19,343	2,077	5,511	7,588	8,018	24,238	32,256	59,187
Balance of credit to the public at the end of the reported period	5,946	12,147	18,093	2,614	4,828	7,442	8,878	26,367	35,245	60,780
Balance of non-accruing debts	26	164	190	11	86	97	11	96	107	394
Balance of debts in arrears of more than 90 days	-	13	13	-	-	-	-	-	-	13
Average balance of liabilities[1]	3,961	22,462	26,423	1,154	5,454	6,608	1,767	14,930	16,697	49,728
Of which: average balance of deposits from the public [1]	3,790	22,248	26,038	1,085	5,326	6,411	1,492	14,648	16,140	48,589
Balance of deposits from the public at the end of the reported period	3,600	22,960	26,560	1,092	5,827	6,919	2,150	18,681	20,831	54,310
Average balance of risk-adjusted assets[1][2]	7,665	11,095	18,760	3,027	5,793	8,820	11,358	18,415	29,773	57,353
Balance of risk-adjusted assets at the end of the reported period[2]	6,905	10,711	17,616	3,394	5,093	8,487	12,001	19,871	31,872	57,975
Average balance of assets under management[1][3]	2,249	21,278	23,527	325	4,284	4,609	1,366	11,308	12,674	40,810
Segmentation of net interest income:										
- Spread from credit granting activity	177	369	546	56	129	185	169	264	433	1,164
- Spread from deposit taking activity	67	468	535	14	94	108	15	115	130	773
- Other	27	40	67	11	20	31	42	68	110	208
Total net interest income	271	877	1,148	81	243	324	226	447	673	2,145

(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.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Financial Management segment - activity in Israel

Consolidated	For the year ended December 31, 2025				
	Trading activity	Assets and liabilities management activity	Real investment activity	Other	Total
					(NIS million)
Interest income from externals	110	4,687	-	-	4,797
Interest expenses for externals	-	333	-	-	333
Net interest income					
- From externals	110	4,354	-	-	4,464
- Inter-segmental	(110)	(4,443)	-	-	(4,553)
Total net interest income (expenses)	-	(89)	-	-	(89)
Non-interest income	(26)	133	190	9	306
Total income (expenses)	(26)	44	190	9	217
Income from credit losses	-	(1)	-	-	(1)
Operating and other expenses	-	76	-	-	76
Profit (loss) before taxes	(26)	(31)	190	9	142
Provision for taxes (tax savings) on profit (loss)	(10)	(11)	71	3	53
Profit (loss) after taxes	(16)	(20)	119	6	89
Bank's share in operating profit of investee company after tax effect	-	-	35	-	35
Net profit (loss):					
Before attribution to non-controlling interests	(16)	(20)	154	6	124
Attributed to non-controlling interests	-	(11)	-	-	(11)
Net profit (loss) attributed to shareholders of the Bank	(16)	(31)	154	6	113
Average balance of assets[1]	2,004	121,772	2,217	-	125,993
Of which: Investee company[1]	-	-	866	-	866
Average balance of liabilities[1]	16	18,154	-	-	18,170
Average balance of risk assets[1][2]	1,167	9,758	3,414	-	14,339
Balance of risk assets[2] at the end of the reported period	1,133	12,266	3,661	-	17,060
Distribution of net interest income and non interest financing income:					
Exchange rate differences, net[3]	32	167			
CPI differences, net[3]	1	248			
Interest rate exposures, net[3]	(49)	(390)			
Exposures to shares, net[3]	(4)	-			
Total net interest income (expenses) and non-interest income, by accrual basis	(20)	25			
Profits or losses from sale or impairment that is not temporary of bonds	-	23			
Difference between fair value and accrual basis of derivatives, recorded in income statement	-	(4)			
Other non-interest expenses	(6)	-			
Total net interest income (expenses) and non interest financing expenses	(26)	44			

(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) Including in respect of securities and derivative instruments.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Financial Mangement segment - activity in Israel (CON'T)

Consolidated	For the year ended December 31, 2024				
	Trading activity	Assets and liabilities management activity	Real investment activity	Other	Total
					(NIS million)
Interest income from externals	61	4,298	-	-	4,359
Interest expenses for externals	-	201	-	-	201
Net interest income					
- From externals	61	4,097	-	-	4,158
- Inter-segmental	(39)	(4,427)	-	-	(4,466)
Total net interest income (expenses)	22	(330)	-	-	(308)
Non-interest income (expenses)	101	89	229	19	438
Total income (expenses)	123	(241)	229	19	130
Expenses from credit losses	-	1	-	-	1
Operating and other expenses	-	96	-	-	96
Profit (loss) before taxes	123	(338)	229	19	33
Provision for taxes (tax savings) on profit (loss)	47	(129)	87	7	12
Operating profit (loss) after taxes	76	(209)	142	12	21
Bank's share in operating profit of investee company after tax effect	-	-	74	-	74
Net profit (loss):					
Before attribution to non-controlling interests	76	(209)	216	12	95
Attributed to non-controlling interests	-	(6)	-	-	(6)
Net profit (loss) attributed to shareholders of the Bank	76	(215)	216	12	89
Average balance of assets[1]	1,348	107,588	1,798	-	110,734
Of which: Investee company[1]	-	-	821	-	821
Average balance of liabilities[1]	19	13,902	-	-	13,921
Average balance of risk assets[1][2]	1,054	8,039	2,907	-	12,000
Balance of risk assets[2] at the end of the reported period	979	9,309	3,193	-	13,481
Distribution of net interest income and non interest financing income:					
Exchange rate differences, net[3]	31	(20)			
CPI differences, net[3]	1	308			
Interest rate exposures, net[3]	80	(529)			
Exposures to shares, net[3]	3	-			
Total net interest and non-interest income (expenses), by accrual basis	115	(241)			
Profits or losses from sale or impairment that is not temporary of bonds	-	(7)			
Difference between fair value and accrual basis of derivatives, recorded in income statement	-	7			
Other non-interest income	8	-			
Total net interest income(expenses) and non interest financing income (expenses)	123	(241)			

(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) Including in respect of securities and derivative instruments.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

Financial Mangement segment - activity in Israel (CON'T)

Consolidated	For the year ended December 31, 2023				
	Trading activity	Assets and liabilities management activity	Real investment activity	Other	Total
					(NIS million)
Interest income from externals	18	3,119	-	-	3,137
Interest expenses for externals	2	135	-	-	137
Net interest income					
- From externals	16	2,984	-	-	3,000
- Inter-segmental	-	(3,249)	-	-	(3,249)
Total net interest income (expenses)	16	(265)	-	-	(249)
Non-interest income (expenses)	72	(5)	60	6	133
Total income (expenses)	88	(270)	60	6	(116)
Operating and other expenses	-	45	-	-	45
Profit (loss) before taxes	88	(315)	60	6	(161)
Provision for taxes (tax savings) on profit (loss)	30	(106)	20	2	(54)
Operating profit (loss) after taxes	58	(209)	40	4	(107)
Bank's share in operating profit of investee company after tax effect	-	-	113	-	113
Net profit (loss):					
Before attribution to non-controlling interests	58	(209)	153	4	6
Attributed to non-controlling interests	-	9	-	-	9
Net profit (loss) attributed to shareholders of the Bank	58	(200)	153	4	15
Average balance of assets (1)	397	86,055	1,204	-	87,656
Of which: Investee company(1)	-	-	746	-	746
Average balance of liabilities(1)	42	16,132	-	-	16,174
Average balance of risk assets(1)(2)	930	4,470	2,201	-	7,601
Balance of risk assets(2) at the end of the reported period	886	5,404	2,390	-	8,680
Distribution of net interest income and non interest financing income:					
Exchange rate differences, net (3)	27	(15)			
CPI differences, net(3)	-	225			
Interest rate exposures, net(3)	69	(379)			
Exposures to shares, net(3)	(2)	-			
Total net interest and non-interest income (expenses), by accrual basis	94	(169)			
Profits or losses from sale or impairment that is not temporary of bonds	-	(101)			
Difference between fair value and accrual basis of derivatives, recorded in income statement	-	-			
Other non-interest expenses	(6)	-			
Total net interest income (expenses) and non interest financing income (expenses)	88	(270)			

(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) Including in respect of securities and derivative instruments.

NOTE 28 - SUPERVISORY SEGMENTS OF OPERATION AND GEOGRAPHIC REGIONS (CON'T)

(NIS million)

F. Geographical region information[1]

(NIS million)

Consolidated	Income[2]			Net profit			Total assets	
	Year ended December 31			Year ended December 31			at December 31	
	2025	**2024**	**2023**	**2025**	**2024**	**2023**	**2025**	**2024**
Israel	**6,922**	6,746	6,618	**2,260**	2,371	2,172	**277,833**	248,563
Consolidated total	**6,922**	6,746	6,618	**2,260**	2,371	2,172	**277,833**	248,563

(1) The distribution to geographical regions is based on the location of the assets.

(2) Net interest income and non-interest income.

NOTE 28A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH

A. General

1. Instructions of the Supervisor of Banks state that a banking corporation, the operating segments of which per Management's approach, materially differ from the regulatory segments of activity, shall, in addition, provide disclosure regarding operating segments according to Management's approach ("administrative operating segments"), in accordance with accounting principles accepted by US banks in the matter of segments of operation (ASC 280-10).
2. The distribution to segments of operation in accordance with Management's approach is made according to criteria detailed in item 3 below. This distribution is used by the chief operational decision maker at the Bank (CODM, the Bank's CEO) for the purpose of determining the work plan, taking decisions and analyzing the business results of the Group, according to various parameters, among others, the net profit.
3. The Bank has identified the following administrative operating segments:
   - **Banking Division - housing loans** - the segment is responsible for providing residential credit services to customers in this segment.
   - **Banking Division - Households** - which includes all operations of households' customers.
   - **Banking Division - Private banking** - which includes all operations of private customers having a medium to high financial wealth, to which the Bank provides a variety of banking services and financial instruments, including investment counseling services.
   - **Banking Division - other** - the segment includes all activities of small businesses and commercial customers of the Banking Division branches.
   - **Corporate Division - corporate customers** - The corporate department of the Division coordinates all activities of large and international corporate customers, having an income turnover of NIS 250 million and over, or having a credit facility in the authority of the corporate department, as well as the activity of borrower in complex credit areas, such as: communication, construction projects, factoring and such like.
   - **Corporate Division - commercial customers** - The commercial department of the Division handles customers having an income turnover of between NIS 25 million and up to NIS 250 million and in customers with lower income turnover, with credit facility under the authority of the commercial department.
   - **Corporate Division - other** – small business customers in the business branches subordinated to the corporate division.
   - **Customer Assets Division** - The Division is responsible for the Bank's activity with all customers in operations involving the capital market, foreign currency and deposits and the overall activities of institutional entities.
   - **Financial Management** - The segment includes the results of operations concerning the asset and liability management of the Bank, including management of market and liquidity risk management in general, the results of management of the "nostro" securities portfolio of the Bank, including activity with other banks and with Bank of Israel. The segment includes also the Bank's share in the earnings of Israel Credit Cards Ltd.
   - **Subsidiary companies** - The segment includes the results of operation of its subsidiary Massad Bank.

NOTE 28A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH (CON'T)

- **Adjustments:**

  A part of the results of operations with customers of the Bank is recorded in more than one operating segment, as detailed below:

  - The results of operation in the capital market product, which includes securities activity of customers, the distribution of pension products and deposits from the public, as well as the foreign currency product, are included both in the Customer Assets Division segment and in the Banking Division segments (except for mortgages) or in any one of the Corporate Division segments.
  - The results of operation of certain commercial customers under the responsibility of the Corporate Division are included both in the Corporate Division-commercial customers segment and in the Banking Division-other segment.
  - The results of operation of certain small business customers under the responsibility of the Banking Division are included both in the Banking Division-other segment and in the Corporate Division-other segment.
  - The results of operation of certain customers under the responsibility of the Customer Assets Division are included both in the Customer Assets Division segment and in the Banking Division segments (except mortgages) or in any one of the Corporate Division segments.

  The duplicity in the recording of the results of operation as described above is eliminated in the adjustments column.

  The adjustments column includes also the elimination of inter-company balances.

For detail regarding the principles of the distribution of the results of operation between the different segments of activity, see note 28.

NOTE 28A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH (CON'T)

(NIS million)

Consolidated	For the year ended December 31, 2025						
	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income (expenses)	429	1,196	718	730	903	395	269
Non-interest income	8	247	543	217	362	95	96
Total income	437	1,443	1,261	947	1,265	490	365
Expenses (income) from credit losses	(2)	40	2	(37)	15	(48)	-
Operating and other expenses	198	818	637	436	432	176	45
Of which: salaries and related expenses	114	398	291	226	165	92	18
Operating profit before taxes	241	585	622	548	818	362	320
Provision for taxes on operating profit	90	218	232	204	305	135	119
Operating profit after taxes	151	367	390	344	513	227	201
Bank's share in operating profit of investee company	-	-	-	-	-	-	-
Net profit:							
Before attribution to non-controlling interests	151	367	390	344	513	227	201
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	151	367	390	344	513	227	201
Average balance of assets[1]	37,312	14,974	4,173	8,921	54,839	11,035	1,555
Balance of credit to the public at the end of the reported period	38,640	15,950	4,582	10,808	62,199	11,981	2,231
Balance of deposits from the public at the end of the reported period	-	32,037	42,824	20,291	45,038	10,348	89,458

Consolidated	For the year ended December 31, 2024						
	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income (expenses)	481	1,251	788	817	875	392	230
Non-interest income	9	224	497	214	288	81	51
Total income (expenses)	490	1,475	1,285	1,031	1,163	473	281
Expenses (income) from credit losses	(30)	38	1	23	(47)	8	(1)
Operating and other expenses	168	793	608	460	376	179	48
Of which: salaries and related expenses	97	404	287	253	162	100	21
Operating profit before taxes	352	644	676	548	834	286	234
Provision for taxes on operating profit	128	234	245	199	303	104	85
Operating profit after taxes	224	410	431	349	531	182	149
Bank's share in operating profit of investee company	-	-	-	-	-	-	-
Net profit:							
Before attribution to non-controlling interests	224	410	431	349	531	182	149
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	224	410	431	349	531	182	149
Average balance of assets[1]	35,530	14,583	4,085	9,459	43,657	10,383	1,034
Balance of credit to the public at the end of the reported period	36,057	15,557	4,485	11,049	51,319	10,855	1,248
Balance of deposits from the public at the end of the reported period	-	33,849	45,687	23,400	34,036	9,243	68,371

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.

				Adjustments		
	Customer assets division	Financial Management	Subsidiaries	Total	Of which: activity in capital market products	Total
	2,326	(116)	485	(2,513)	(2,326)	4,822
	1,251	306	104	(1,129)	(977)	2,100
	3,577	190	589	(3,642)	(3,303)	6,922
	22	(1)	31	(3)	(22)	19
	1,234	74	223	(1,083)	(950)	3,190
	466	24	106	(131)	(384)	1,769
	2,321	117	335	(2,556)	(2,331)	3,713
	865	44	127	(953)	(869)	1,386
	1,456	73	208	(1,603)	(1,462)	2,327
	-	35	-	-	-	35
	1,456	108	208	(1,603)	(1,462)	2,362
	-	-	(102)	-	-	(102)
	1,456	108	106	(1,603)	(1,462)	2,260
	22,920	123,667	10,056	(27,547)	(22,920)	261,905
	27,797	-	6,672	(32,846)	(27,797)	148,014
	234,254	-	10,081	(245,822)	(234,254)	238,509

				Adjustments		
	Customer assets division	Financial Management	Subsidiaries	Total	Of which: activity in capital market products	Total
	2,436	(326)	472	(2,676)	(2,436)	4,740
	1,040	437	97	(932)	(821)	2,006
	3,476	111	569	(3,608)	(3,257)	6,746
	(10)	1	6	(5)	10	(16)
	1,071	94	214	(1,034)	(857)	2,977
	449	21	104	(159)	(373)	1,739
	2,415	16	349	(2,569)	(2,410)	3,785
	877	6	135	(933)	(875)	1,383
	1,538	10	214	(1,636)	(1,535)	2,402
	-	74	-	-	-	74
	1,538	84	214	(1,636)	(1,535)	2,476
	-	-	(105)	-	-	(105)
	1,538	84	109	(1,636)	(1,535)	2,371
	15,112	108,305	9,846	(20,532)	(15,112)	231,462
	21,152	-	6,476	(27,148)	(21,152)	131,050
	206,941	-	10,167	(216,939)	(206,941)	214,755

NOTE 28A - ACTIVITY SEGMENTS BASED ON MANAGEMENT'S APROACH (CON'T)

(NIS million)

Consolidated	For the year ended December 31, 2023						
	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income (expenses)	523	1,277	808	875	899	433	233
Non-interest income	12	219	456	218	302	84	46
Total income (expenses)	535	1,496	1,264	1,093	1,201	517	279
Expenses from credit losses	41	111	48	142	91	107	4
Operating and other expenses	161	755	569	472	371	182	45
Of which: salaries and related expenses	96	405	286	273	163	104	22
Operating profit (loss) before taxes	333	630	647	479	739	228	230
Provision for taxes (tax savings) on operating profit (loss)	112	211	217	160	248	76	77
Operating profit (loss) after taxes	221	419	430	319	491	152	153
Bank's share in operating profit of investee company	-	-	-	-	-	-	-
Net profit:							
Before attribution to non-controlling interests	221	419	430	319	491	152	153
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	221	419	430	319	491	152	153
Average balance of assets[1]	35,197	14,890	4,282	10,197	39,969	10,816	1,010
Balance of credit to the public at the end of the reported period	35,167	14,908	4,372	10,931	41,544	10,437	863
Balance of deposits from the public at the end of the reported period	-	34,106	45,259	22,969	34,737	8,951	44,877

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.

	Customer assets division	Financial Management	Subsidiaries	Adjustments		Total
				Total	Of which: activity in capital market products	
	2,436	(254)	439	(2,703)	(2,437)	4,966
	957	151	75	(868)	(761)	1,652
	3,393	(103)	514	(3,571)	(3,198)	6,618
	10	-	18	(70)	(10)	502
	1,006	43	213	(940)	(801)	2,877
	449	18	108	(158)	(373)	1,766
	2,377	(146)	283	(2,561)	(2,387)	3,239
	796	(49)	100	(858)	(800)	1,090
	1,581	(97)	183	(1,703)	(1,587)	2,149
	-	113	-	-	-	113
	1,581	16	183	(1,703)	(1,587)	2,262
	-	-	(90)	-	-	(90)
	1,581	16	93	(1,703)	(1,587)	2,172
	12,603	85,522	9,228	(18,311)	(12,603)	205,403
	13,708	-	6,121	(18,811)	(13,708)	119,240
	184,104	-	9,633	(193,511)	(184,104)	191,125

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES

(NIS millions)

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

Provision for credit losses

1. Change in provision for credit losses

Consolidated	For the year ended December 31, 2025					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Provision for credit losses at beginning of the year[1]	**1,140**	**170**	**501**	**1,811**	**3**	**1,814**
Expenses (income) from credit losses	**(33)**	**(3)**	**56**	**20**	**(1)**	**19**
- Accounting write-offs	**(69)**	**(6)**	**(123)**	**(198)**	**-**	**(198)**
- Collection of debts written off in accounting in previous years	**113**	**9**	**95**	**217**	**-**	**217**
Net accounting write-offs	**44**	**3**	**(28)**	**19**	**-**	**19**
Provision for credit losses at end of year[2]	**1,151**	**170**	**529**	**1,850**	**2**	**1,852**
Of which: (1) In respect of off-balance sheet credit instruments	**134**	**10**	**33**	**177**	**-**	**177**
(2) In respect of off-balance sheet credit instruments	**164**	**10**	**36**	**210**	**-**	**210**

Consolidated	For the year ended December 31, 2024					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Provision for credit losses at beginning of year[1]	1,131	189	463	1,783	2	1,785
Expenses (income) from credit losses	(44)	(27)	54	(17)	1	(16)
- Accounting write-offs	(70)	(4)	(110)	(184)	-	(184)
- Collection of debts written off in accounting in previous years	123	12	94	229	-	229
Net accounting write-offs	53	8	(16)	45	-	45
Provision for credit losses at end of year[2]	1,140	170	501	1,811	3	1,814
Of which: (1) In respect of off-balance sheet credit instruments	123	8	34	165	-	165
(2) In respect of off-balance sheet credit instruments	134	10	33	177	-	177

Consolidated	For the year ended December 31, 2023					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Provision for credit losses at beginning of year[1]	817	151	344	1,312	2	1,314
Expenses from credit losses	314	40	148	502	-	502
- Accounting write-offs	(85)	(9)	(122)	(216)	-	(216)
- Collection of debts written off in accounting in previous years	85	7	93	185	-	185
Net accounting write-offs	-	(2)	(29)	(31)	-	(31)
Provision for credit losses at end of year[2]	1,131	189	463	1,783	2	1,785
Of which: (1) In respect of off-balance sheet credit instruments	100	6	11	117	-	117
(2) In respect of off-balance sheet credit instruments	123	8	34	165	-	165

* Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under repurchase agreements.

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

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

Provision for credit losses

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

The Bank	For the year ended December 31, 2025					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Provision for credit losses at beginning of year(1)	**1,119**	**170**	**417**	**1,706**	**3**	**1,709**
Expenses (income) from credit losses	**(49)**	**(3)**	**41**	**(11)**	**(1)**	**(12)**
- Accounting write-offs	**(69)**	**(6)**	**(102)**	**(177)**	**-**	**(177)**
- Collection of debts written off in accounting in previous years	**111**	**9**	**82**	**202**	**-**	**202**
Net accounting write-offs	**42**	**3**	**(20)**	**25**	**-**	**25**
Provision for credit losses at end of year(2)	**1,112**	**170**	**438**	**1,720**	**2**	**1,722**
Of which: (1) In respect of off-balance sheet credit instruments	**133**	**10**	**30**	**173**	**-**	**173**
(2) In respect of off-balance sheet credit instruments	**162**	**10**	**34**	**206**	**-**	**206**

The Bank	For the year ended December 31, 2024					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Provision for credit losses at beginning of year(1)	1,108	189	384	1,681	2	1,683
Expenses (income) from credit losses	(41)	(27)	44	(24)	1	(23)
- Accounting write-offs	(70)	(4)	(93)	(167)	-	(167)
- Collection of debts written off in accounting in previous years	122	12	82	216	-	216
Net accounting write-offs	52	8	(11)	49	-	49
Provision for credit losses at end of year(2)	1,119	170	417	1,706	3	1,709
Of which: (1) In respect of off-balance sheet credit instruments	121	8	32	161	-	161
(2) In respect of off-balance sheet credit instruments	133	10	30	173	-	173

The Bank	For the year ended December 31, 2023					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks, Governments and Bonds	Total
Provision for credit losses at beginning of year(1)	798	151	278	1,227	2	1,229
Expenses from credit losses	311	40	133	484	-	484
- Accounting write-offs	(84)	(9)	(107)	(200)	-	(200)
- Collection of debts written off in accounting in previous years	83	7	80	170	-	170
Net accounting write-offs	(1)	(2)	(27)	(30)	-	(30)
Provision for credit losses at end of year(2)	1,108	189	384	1,681	2	1,683
Of which: (1) In respect of off-balance sheet credit instruments	97	6	9	112	-	112
(2) In respect of off-balance sheet credit instruments	121	8	32	161	-	161

* Credit to the public, credit to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under repurchase agreements.

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

B. CREDIT TO THE PUBLIC

1. Credit quality and arrears

Consolidated	December 31, 2025					
		Problematic[1]			Accruing debts- additional information	
	Performing	Accruing[2]	Non-accruing	Total	In arrears of 90 days or more[2]	In arrears of 30 to 89 days[3]
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**13,304**	**280**	**28**	**13,612**	**-**	**6**
Construction and real estate - real estate activities	**8,550**	**15**	**27**	**8,592**	**-**	**2**
Financial services	**31,969**	**1**	**3**	**31,973**	**-**	**20**
Commercial - other	**29,944**	**201**	**211**	**30,356**	**7**	**23**
Total commercial	**83,767**	**497**	**269**	**84,533**	**7**	**51**
Private individuals - housing loans	[4]**38,632**	**84**	**242**	**38,958**	**-**	**231**
Private individuals - others	**23,672**	**168**	**107**	**23,947**	**16**	**49**
Total activity in Israel	**146,071**	**749**	**618**	**147,438**	**23**	**331**
Borrower activity abroad						
Public - commercial						
Construction and real estate	**42**	**-**	**-**	**42**	**-**	**-**
Other commercial	**469**	**29**	**34**	**532**	**-**	**8**
Total commercial	**511**	**29**	**34**	**574**	**-**	**8**
Private individuals	**2**	**-**	**-**	**2**	**-**	**-**
Total activity abroad	**513**	**29**	**34**	**576**	**-**	**8**
Total credit to the public	**146,584**	**778**	**652**	**148,014**	**23**	**339**

(1) Credit to the public non-accruing, inferior or under special supervision.
(2) Classified as problematic debts, accruing interest income.
(3) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 117 million (31.12.24 - NIS 89 million) were classified as problematic debts.
(4) Performing debts include debts that are not classified as problematic debts, with postponement of payments of 180 days and more, granted during the war to borrowers which were not in financial difficulties, amounting to NIS 2 million as of December 31, 2025.
As of December 31, 2024 – NIS 212 million (commercial - NIS 4 million, housing loans - NIS 206 million and private individuals - NIS 2 million).
In respect of this matter, postponement of payments- including extension of period and postponement of payments without interest payments on the postponed period. In case the debt was repostponed of payments, the duration of the postponement is calculated according to the aggregated postponement period. The postponement of payments does not include postponement in which an entitlement was utilized, for which the borrower is entitled according to any law.

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

B. CREDIT TO THE PUBLIC (CONT'D)

1. Credit quality and arrears (CONT'D)

Consolidated	December 31, 2024					
		Problematic[1]			Accruing debts - additional information	
	Performing[4]	Accruing[2]	Non-accruing	Total	In arrears of 90 days or more[2]	In arrears of 30 to 89 days[3]
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	11,069	264	12	11,345	1	16
Construction and real estate - real estate activities	7,358	120	32	7,510	-	27
Financial services	24,298	6	6	24,310	1	2
Commercial - other	26,861	470	329	27,660	7	20
Total commercial	69,586	860	379	70,825	9	65
Private individuals - housing loans	36,157	56	183	36,396	-	159
Private individuals - others	22,982	167	106	23,255	18	44
Total activity in Israel	128,725	1,083	668	130,476	27	268
Borrower activity abroad						
Public - commercial						
Construction and real estate	16	-	-	16	-	-
Other commercial	557	1	-	558	-	2
Total commercial	573	1	-	574	-	2
Private individuals	-	-	-	-	-	-
Total activity abroad	573	1	-	574	-	2
Total credit to the public	129,298	1,084	668	131,050	27	270

Credit quality - the status of debts in arrears

The credit risk policy of the Bank defines principal indicators for the examination of credit quality, among which are the default situation, rating of the customer, status of the collateral etc. The status of debts in arrears is monitored routinely, and serves as one of the key indicators of credit quality. The status of debts in arrears is determined based on actual days of arrears. Debts which are evaluated on an individual basis, are treated as non-accruing debts after 90 days of arrears. In addition, debts of borrowers in financial difficulties which undergone change in terms, are treated as non-accruing debts, except for debts of private individuals that are classified as non-accruing debts evaluated on collective basis. Debts of borrowers in financial difficulties, which undergone change in terms, are classified as non-accruing debts or a period of at least six months. After current payments of six months and payment of twenty percent of the debts' principal, the debts will be classified as accruing problematic debts. Following payments for additional period, the debts can be returned to performing non problematic debts.

With regard to debts evaluated on a collective basis, the status of arrears effects the classification of the debt (the classification is more severe for more extensive arrears) and mostly after 150 days of arrears, the Bank performs an accounting write-off of the debt up to the extent of the collateral. With regard to housing loans, the Bank performs an accounting write-off after 180 days in arrears, to the recorded balance of the debts that exceeds the value of the collateral.

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

B. CREDIT TO THE PUBLIC (CONT'D)

1.1. Credit quality according to the credit granting year

	December 31, 2025								
	Stated balance of debt regarding fixed-term credit to the public								
	2025	2024	2023	2022	2021	Prior years	Stated debt Balance of renewable loans	Stated debt Balance of renewable loans converted to fixed term loans	Total
Borrower activity in Israel									
Public - commercial									
Construction and real estate	**10,142**	**2,784**	**1,212**	**1,410**	**624**	**1,615**	**4,414**	**3**	**22,204**
Credit having a credit granting rating	**10,083**	**2,715**	**1,169**	**1,149**	**609**	**1,421**	**4,209**	**3**	**21,358**
Credit not having credit granting rating and is not problematic	**48**	**41**	**33**	**17**	**6**	**184**	**167**	**-**	**496**
Accruing problematic credit	**10**	**1**	**2**	**244**	**4**	**4**	**30**	**-**	**295**
Non-accruing credit	**1**	**27**	**8**	**-**	**5**	**6**	**8**	**-**	**55**
Accounting write-offs during the period	**-**	**1**	**-**	**1**	**1**	**5**	**-**	**-**	**8**
Other commercial	**14,160**	**4,323**	**1,690**	**1,742**	**966**	**2,639**	**36,802**	**7**	**62,329**
Credit having a credit granting rating	**13,909**	**4,145**	**1,594**	**1,701**	**934**	**2,558**	**36,028**	**7**	**60,876**
Credit not having credit granting rating and is not problematic	**221**	**126**	**48**	**26**	**20**	**37**	**559**	**-**	**1,037**
Accruing problematic credit	**12**	**23**	**23**	**6**	**3**	**22**	**113**	**-**	**202**
Non-accruing credit	**18**	**29**	**25**	**9**	**9**	**22**	**102**	**-**	**214**
Accounting write-offs during the period	**-**	**6**	**7**	**4**	**9**	**35**	**-**	**-**	**61**
Private individuals - residential loans	**5,615**	**3,825**	**2,576**	**4,890**	**5,899**	**16,153**	**-**	**-**	**38,958**
LTV of up to 60%	**3,360**	**2,403**	**1,627**	**3,131**	**3,921**	**12,072**	**-**	**-**	**26,514**
LTV of over 60% and up to 75%	**2,255**	**1,421**	**930**	**1,730**	**1,940**	**3,850**	**-**	**-**	**12,126**
LTV of over 75%	**-**	**1**	**19**	**29**	**38**	**231**	**-**	**-**	**318**
Credit not in default, having a credit granting rating	**5,599**	**3,761**	**2,525**	**4,816**	**5,815**	**15,876**	**-**	**-**	**38,392**
Credit not in default, not having a credit granting rating	**5**	**22**	**12**	**17**	**17**	**38**	**-**	**-**	**111**
In arrears for 30 to 89 days	**8**	**32**	**23**	**41**	**38**	**102**	**-**	**-**	**244**
In arrears for over 90 days	**3**	**10**	**16**	**16**	**29**	**137**	**-**	**-**	**211**
Non-accruing credit	**4**	**12**	**19**	**21**	**33**	**153**	**-**	**-**	**242**
Accounting write-offs during the period	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**-**	**6**
Private individuals - others	**4,815**	**2,966**	**1,787**	**1,625**	**1,294**	**5,054**	**6,287**	**119**	**23,947**
Credit not in default, having a credit granting rating	**4,689**	**2,828**	**1,670**	**1,552**	**1,235**	**4,736**	**6,099**	**110**	**22,919**
Credit not in default, not having a credit granting rating	**120**	**127**	**109**	**67**	**54**	**305**	**164**	**9**	**955**
In arrears for 30 to 89 days	**5**	**8**	**6**	**4**	**3**	**10**	**17**	**-**	**53**
In arrears for over 90 days	**1**	**3**	**2**	**2**	**2**	**3**	**7**	**-**	**20**
Non-accruing credit	**12**	**15**	**15**	**10**	**9**	**33**	**12**	**1**	**107**
Accounting write-offs during the period	**2**	**16**	**16**	**16**	**20**	**53**	**-**	**-**	**123**
Total Credit to the public - activity in Israel	**34,732**	**13,898**	**7,265**	**9,667**	**8,783**	**25,461**	**47,503**	**129**	**147,438**
Total Credit to the public - activity abroad	**314**	**2**	**13**	**39**	**24**	**53**	**131**	**-**	**576**
Performing credit	**314**	**2**	**13**	**18**	**23**	**12**	**131**	**-**	**513**
Accruing problematic credit	**-**	**-**	**-**	**-**	**-**	**29**	**-**	**-**	**29**
Non-accruing credit	**-**	**-**	**-**	**21**	**1**	**12**	**-**	**-**	**34**
Total Credit to the public	**35,046**	**13,900**	**7,278**	**9,706**	**8,807**	**25,514**	**47,634**	**129**	**148,014**

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

B. CREDIT TO THE PUBLIC (CONT'D)

1.1. Credit quality according to the credit granting year

c

	December 31, 2024								
	Stated balance of debt regarding fixed-term credit to the public								
	2024	2023	2022	2021	2020	Prior years	Stated debt Balance of renewable loans	Stated debt Balance of renewable loans converted to fixed term loans	Total
Borrower activity in Israel									
Public - commercial									
Construction and real estate	9,330	1,950	1,876	795	751	1,319	2,831	3	18,855
Credit having a credit granting rating	9,126	1,808	1,607	749	698	1,222	2,798	3	18,011
Credit not having credit granting rating and is not problematic	189	127	23	11	34	25	7	-	416
Accruing problematic credit	12	5	245	30	16	64	12	-	384
Non-accruing credit	3	10	1	5	3	8	14	-	44
Accounting write-off during the period	-	3	2	3	5	32	-		45
Other commercial	10,708	2,622	3,168	1,439	1,133	2,279	30,613	8	51,970
Credit having a credit granting rating	10,448	2,496	3,016	1,386	1,075	2,135	29,974	7	50,537
Credit not having credit granting rating and is not problematic	175	53	114	20	21	50	188	1	622
Accruing problematic credit	66	36	22	10	14	47	281	-	476
Non-accruing credit	19	37	16	23	23	47	170	-	335
Accounting write-off during the period	-	1	3	5	8	8	-	-	25
Private individuals - residential loans	3,641	2,779	5,307	6,410	4,496	13,763	-	-	36,396
LTV of up to 60%	2,280	1,767	3,363	4,192	3,003	10,457	-	-	25,062
LTV of over 60% and up to 75%	1,357	992	1,912	2,163	1,438	2,965	-	-	10,827
LTV of over 75%	4	20	32	55	55	341	-	-	507
Credit not in default, having a credit granting rating	3,633	2,759	5,264	6,343	4,438	13,472	-	-	35,909
Credit not in default, not having a credit granting rating	6	5	16	23	15	91	-	-	156
In arrears for 30 to 89 days	2	9	17	23	18	95	-	-	164
In arrears for over 90 days	-	6	10	21	25	105	-	-	167
Non-accruing credit	1	6	13	23	27	113	-	-	183
Accounting write-off during the period	-	-	-	-	-	4	-	-	4
Private individuals - others	4,581	2,554	2,232	1,693	1,299	4,829	5,938	129	23,255
Credit not in default, having a credit granting rating	4,459	2,434	2,137	1,620	1,242	4,554	5,825	118	22,389
Credit not in default, not having a credit granting rating	103	98	81	62	48	238	93	10	733
In arrears for 30 to 89 days	13	16	10	8	7	29	8	1	92
In arrears for over 90 days	6	6	4	3	2	8	12	-	41
Non-accruing credit	13	17	12	10	8	37	8	1	106
Accounting write-off during the period	2	9	11	10	19	49	10	-	110
Total Credit to the public - activity in Israel	28,260	9,905	12,583	10,337	7,679	22,190	39,382	140	130,476
Total Credit to the public - activity abroad	282	13	11	2	-	14	252	-	574
Performing credit	281	13	11	2	-	14	252	-	573
Accruing problematic credit	1	-	-	-	-	-	-	-	1
Non-accruing credit	-	-	-	-	-	-	-	-	-
Total Credit to the public	28,542	9,918	12,594	10,339	7,679	22,204	39,634	140	131,050

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

B. CREDIT TO THE PUBLIC (CONT'D)

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

	December 31, 2025					
	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	**49**	**11**	**6**	**55**	**1,569**	**-**
Commercial - other	**198**	**116**	**16**	**214**	**2,189**	**-**
Total commercial	**247**	**127**	**22**	**269**	**3,758**	**-**
Private individuals - residential loans	**241**	**13**	**1**	**242**	**302**	**-**
Private individuals - others	**105**	**36**	**2**	**107**	**384**	**-**
Total Credit to the public - activity in Israel	**593**	**176**	**25**	**618**	**4,444**	**-**
Borrower activity abroad						
Total Credit to the public - activity abroad	**34**	**15**	**-**	**34**	**34**	**-**
Total *	**627**	**191**	**25**	**652**	**4,478**	**-**
(*) Of which:						
Measured individually by present value of cash flows	**282**	**142**	**13**	**295**		
Measured individually according to present value of collateral	**-**	**-**	**7**	**7**		
Measured on a collective basis	**345**	**49**	**5**	**350**		

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

B. CREDIT TO THE PUBLIC (Cont'd)

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

	December 31, 2024					
	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	26	3	18	44	1,357	-
Commercial - other	311	129	24	335	2,070	-
Total commercial	337	132	42	379	3,427	-
Private individuals - housing loans	182	8	1	183	230	-
Private individuals - others	101	36	5	106	352	1
Total Credit to the public - activity in Israel	620	176	48	668	4,009	1
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	22	-
Total *	620	176	48	668	4,031	1
(*) Of which:						
Measured individually by present value of cash flows	337	132	29	366		
Measured individually according to present value of collateral	-	-	12	12		
Measured on a collective basis	283	44	7	290		

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of non-accruing debts, during the period of time in which the debts had been classified as non-accruing.
Had the non-accruing debts accrued interest according to the original terms, interest income of NIS 49 million would have been recognized (2024 - NIS 55 million).
Additional information: the total stated average debt balance of non-accruing debts was NIS 630 million (31.12.24 - NIS 689 million).

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

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

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

	December 31, 2025				
	Recorded debt balance				
	problematic		Non problematic		
	Non-accruing	Accruing interest income	In arrears of 30 days or more	Not in arrears	Total[1][2]
Borrower activity in Israel					
Commercial	**66**	**7**	**-**	**-**	**73**
Private individuals - housing loans	**24**	**12**	**-**	**-**	**36**
Private individuals - others	**76**	**20**	**-**	**-**	**96**
Total Credit to the public - activity in Israel	**166**	**39**	**-**	**-**	**205**

	December 31, 2024				
	Recorded debt balance				
	problematic		Non problematic		
	Non-accruing	Accruing interest income	In arrears of 30 days or more	Not in arrears	Total
Borrower activity in Israel					
Commercial	74	9	-	-	83
Private individuals - housing loans	30	3	-	-	33
Private individuals - others	73	19	-	-	92
Total Credit to the public - activity in Israel	177	31	-	-	208

(1) As of December 31, 2025, accruing debts that had undergone a change in terms in previous years in the amount of NIS 9 million (31.12.2024 NIS 11 million) which are no longer included in the disclosure, due to the following conditions having been met:
   A. An updated and well documented credit evaluation has been made with respect to the financial condition of the borrower and his repayment ability in accordance with the new terms, indicating that the debt may continue to be classified as an accruing debt and that the debt is not in arears and is not problematic.
   B. The evaluation included examination of the continuous historical repayments by the borrower, within their meaning in section 30.e. of the public reporting directives, during a period of at least 24 months.

(2) As of December 31, 2025 and December 31, 2024, debts of borrowers in financial difficulties in the amount of NIS 8 million and NIS 5 million, respectively, have undergone changes in terms more than twice.

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

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

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

	For the year ended December 31, 2025					
	Recorded debt balance					
	Problematic		Non problematic			
	Non-accruing	Accruing interest income	In arrears of 30 days or more	Not in arrears	Total	Accounting write-offs
Borrower activity in Israel						
Commercial	**44**	**1**	**-**	**-**	**45**	**10**
Private individuals - housing loans	**9**	**-**	**-**	**-**	**9**	**-**
Private individuals - others	**51**	**1**	**-**	**-**	**52**	**9**
Total Credit to the public - activity in Israel	**104**	**2**	**-**	**-**	**106**	**19**

	For the year ended December 31, 2024					
	Recorded debt balance					
	Problematic		Non problematic			
	Non-accruing	Accruing interest income	In arrears of 30 days or more	Not in arrears	Total	Accounting write-offs
Borrower activity in Israel						
Commercial	55	2	-	-	57	9
Private individuals - housing loans	28	-	-	-	28	-
Private individuals - others	51	1	-	-	52	9
Total Credit to the public - activity in Israel	134	3	-	-	137	18

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

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

3. Debts of borrowers having financial difficulties which have undergone changes in terms in the reported period

	For the year ended December 31, 2025					
	Debts of borrowers having financial difficulties which have undergone changes in terms					
	Total		Type of change			
	Stated balance of debt	Percentage of total	Interest waiver	Extension of period	Interest waiver and extension of period	Postponement of payments
	NIS millions	%				NIS millions
Borrower activity in Israel						
Commercial	**45**	**0.05**	**-**	**44**	**1**	**-**
Private individuals - housing loans	**9**	**0.02**	**-**	**-**	**-**	**9**
Private individuals - others	**52**	**0.22**	**1**	**46**	**5**	**-**
Total Credit to the public - activity in Israel	**106**	**0.07**	**1**	**90**	**6**	**9**

	For the year ended December 31, 2024					
	Debts of borrowers having financial difficulties which have undergone changes in terms					
	Total		Type of change			
	Stated balance of debt	Percentage of total	Interest waiver	Extension of period	Interest waiver and extension of period	Postponement of payments
	NIS millions	%				NIS millions
Borrower activity in Israel						
Commercial	57	0.08	-	50	7	-
Private individuals - housing loans	28	0.08	-	-	-	28
Private individuals - others	52	0.22	2	41	9	-
Total Credit to the public - activity in Israel	137	0.11	2	91	16	28

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

	Financial effects of changes in terms of borrowers having financial difficulties			Debts of borrowers having financial difficulties which have failed in the reported year after having been undergone change in terms (1)				
			Type of change	Total				Type f change
	Average waiver of interest	Average extension of period	Average postponement of payments	Stated balance of debt	Waiver of interest	Extension of period	Waiver of interest and extension of period	Postponement of payments
	%		Months	NIS millions				NIS millions
	0.86	**29**	**-**	**11**	**-**	**2**	**9**	**-**
	-	**-**	**3**	**21**	**-**	**-**	**-**	**21**
	1.21	**42**	**-**	**3**	**-**	**3**	**-**	**-**
	1.13	**35**	**3**	**35**	**-**	**5**	**9**	**21**

	Financial effects of changes in terms of borrowers having financial difficulties			Debts of borrowers having financial difficulties which have failed in the reported year after having been undergone change in terms (1)				
			Type of change	Total				Type f change
	Average waiver of interest	Average extension of period	Average postponement of payments	Stated balance of debt	Waiver of interest	Extension of period	Waiver of interest and extension of period	Postponement of payments
	%		Months	NIS millions				NIS millions
	1.99	30	-	4	-	3	1	-
	-	-	5	2	-	-	-	2
	1.20	46	-	4	-	4	-	-
	1.35	38	5	10	-	7	1	2

NOTE 29 - 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

	December 31, 2025							
	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**	**10**	**29**	**59**	**5**	**2**	**-**	**303**
Residential loans	**31**	**101**	**61**	**34**	**7**	**5**	**3**	**242**
Private individuals - others	**101**	**3**	**1**	**2**	**-**	**-**	**-**	**107**
Total	**330**	**114**	**91**	**95**	**12**	**7**	**3**	**652**

	December 31, 2024							
	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	274	21	33	39	6	6	-	379
Residential loans	16	78	41	35	8	2	3	183
Private individuals - others	100	2	3	1	-	-	-	106
Total	390	101	77	75	14	8	3	668

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

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

Consolidated	December 31, 2025			
	Balance of housing loans			
	Total	Of which: bullet and balloon	OF which: floating interest rate	Total Off-balance sheet credit risk
First lien financing rate				
- Up to 60%	**25,930**	**561**	**15,081**	**2,601**
- Over 60%	**12,444**	**192**	**7,583**	**2,110**
Secondary lien or no lien	**584**	**10**	**547**	**-**
Total	**38,958**	**763**	**23,211**	**4,711**

Consolidated	December 31, 2024			
	Balance of housing loans			
	Total	Of which: bullet and balloon	OF which: floating interest rate	Total Off-balance sheet credit risk
First lien financing rate				
- Up to 60%	24,545	367	14,237	2,175
- Over 60%	11,334	136	6,855	1,727
Secondary lien or no lien	517	12	472	-
Total	36,396	515	21,564	3,902

* Ratio of the approved credit facility, when the facility was provided, to the value of the asset, as approved by the Bank when the facility was provided. The LTV constitutes additional indication of the Bank to evaluate the customer's credit risk when the facility was provided.

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

B. CREDIT TO THE PUBLIC (CONT'D)

4. Purchase of credit to the public

Consolidated	Purchased credit to the public risk[1]							
	For the year ended December 31, 2025				For the year ended December 31, 2024			
	Credit to the public purchased this year	Off balance sheet credit risk[2] purchased this year	Of which: problematic credit	Balance at the end of the year	Credit to the public purchased this year	Off balance sheet credit risk[2] purchased this year	Of which: problematic credit	Balance at the end of the year
Total commercial	**9,933**	**-**	**16**	**2,894**	8,986	-	23	2,517
Total	**9,933**	**-**	**16**	**2,894**	8,986	-	23	2,517

(1) Commercial credit to the public purchased in the framework of factoring transactions.
(2) Credit risk relating to off-balance sheet financial instruments, as computed for the purpose of restrictions on indebtedness of a single borrower, excluding in respect of derivative instruments.

5. Syndication and participation in the syndication of loans

Consolidated	December 31, 2025					
	Syndication transactions initiated by the Bank[1]				Syndication transactions initiated by others	
	Balance at end of year					
	Share of the Bank		Share of others		Share of the Bank	
	Credit to the public	Off-balance sheet credit risk [2]	Credit to the public	Off-balance sheet credit risk [2]	Credit to the public	Off-balance sheet credit risk [2]
Total commercial	**16**	**-**	**16**	**-**	**4,642**	**1,606**
Total	**16**	**-**	**16**	**-**	**4,642**	**1,606**

Consolidated	December 31, 2024					
	Syndication transactions initiated by the Bank[1]				Syndication transactions initiated by others	
	Balance at end of year					
	Share of the Bank		Share of others		Share of the Bank	
	Credit to the public	Off-balance sheet credit risk [2]	Credit to the public	Off-balance sheet credit risk [2]	Credit to the public	Off-balance sheet credit risk [2]
Total commercial	37	-	37	-	5,213	1,503
Total	37	-	37	-	5,213	1,503

(1) Including where the Bank has provided material service in the syndication transaction.
(2) Credit risk relating to off-balance sheet financial instruments, as computed for the purpose of restrictions on indebtedness of a single borrower, excluding in respect of derivative instruments.

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

C. Classification of Credit[2] and Credit Risk of Off-Balance Sheet[3] Items by Size of Borrowers

Consolidated		December 31, 2025			December 31, 2024		
Size of credit per borrower		**Number of borrowers[4]**	**Credit[1][2]**	**Off-balance sheet credit risk [1][3]**	**Number of borrowers [4]**	**Credit[1][2]**	**Off-balance sheet credit risk [1][3]**
NIS thousands				NIS million			NIS million
	Up to 10	**228,177**	**330**	**738**	219,326	323	683
From 10	to 20	**82,154**	**393**	**908**	80,532	432	839
From 20	to 40	**111,605**	**1,124**	**2,231**	110,387	1,188	2,106
From 40	to 80	**115,740**	**2,731**	**3,974**	117,950	2,900	3,923
From 80	to 150	**82,133**	**4,974**	**4,057**	87,747	5,388	4,284
From 150	to 300	**58,700**	**8,945**	**3,455**	62,776	8,994	4,202
From 300	to 600	**33,050**	**11,288**	**2,686**	35,225	11,469	3,441
From 600	to 1,200	**28,672**	**20,419**	**4,171**	27,049	19,558	3,386
From 1,200	to 2,000	**10,822**	**12,947**	**3,191**	8,617	10,932	1,896
From 2,000	to 4,000	**3,553**	**7,019**	**2,281**	2,990	6,080	1,811
From 4,000	to 8,000	**1,077**	**3,832**	**2,101**	949	3,530	1,686
From 8,000	to 20,000	**744**	**6,307**	**3,041**	680	5,849	2,627
From 20,000	to 40,000	**314**	**6,644**	**2,148**	315	6,322	2,482
From 40,000	to 200,000	**372**	**22,598**	**8,932**	307	18,659	6,842
From 200,000	to 400,000	**58**	**11,634**	**4,618**	44	8,827	3,089
From 400,000	to 800,000	**22**	**7,652**	**3,549**	11	3,275	2,293
From 800,000	to 1,200,000	**9**	**4,228**	**4,505**	9	5,383	3,349
From 1,200,000	to 1,600,000	**3**	**4,430**	**42**	3	3,473	461
From 1,600,000	to 2,000,000	**1**	**1,564**	**45**	2	3,518	139
From 2,000,000	to 2,400,000	**-**	**-**	**-**	-	-	-
From 2,400,000	to 2,800,000	**-**	**-**	**-**	1	2,417	140
From 2,800,000	to 3,200,000	**2**	**5,629**	**301**	1	2,759	114
From 3,200,000	to 3,600,000	**1**	**3,490**	**90**	-	-	-
Total		**757,209**	**148,178**	**57,064**	754,921	131,276	49,793

(1) Credit and off-balance sheet credit risk are presented before the effect of the provision for credit losses, and before the effect of deductible collateral for the purposes of the indebtedness of a borrower.

(2) Credit to the public, investments in corporate bonds, other assets in respect of derivative instruments against the public, at a total of NIS 147,294 million, NIS 314 million and NIS 570 million, respectively (31.12.2024 - NIS 130,658 million, NIS 309 million and NIS 309 million, respectively).

(3) Credit risk relating to off-balance sheet financial instruments as calculated for the purpose of the limitation on indebtedness of a borrower.

(4) The number of borrowers according to the total credit and off-balance sheet credit risk.

NOTE 29 - ADDITIONAL INFORMATION ABOUT CREDIT RISK, CREDIT TO THE PUBLIC AND PROVISION FOR CREDIT LOSSES (CONT'D)

(NIS millions)

D. Off-balance sheet financial instruments

	Consolidated				The Bank			
	Balance of contracts[1]		Balance of provision for credit losses		Balance of contracts[1]		Balance of provision for credit losses	
	December 31						December 31	
	2025	2024	2025	2024	2025	2024	2025	2024
Transactions the balance of which represents credit risk:								
Documentary credit	**157**	167	**1**	1	**157**	167	**1**	1
Guarantees securing credit	**1,316**	1,212	**20**	19	**1,186**	1,082	**19**	18
Guarantees to home purchasers	**2,577**	2,814	**7**	11	**2,550**	2,803	**6**	11
Guarantees and other liabilities	**5,208**	5,053	**47**	49	**5,099**	4,951	**47**	49
Unutilized credit lines for derivatives instruments	**5,256**	3,544	**-**	-	**5,256**	3,543	**-**	-
Unutilized revolving credit and other on-call credit facilities	**12,708**	12,359	**46**	31	**11,668**	11,350	**45**	30
Irrevocable commitments to grant credit, not yet executed	**12,799**	10,886	**59**	42	**12,772**	10,852	**59**	42
Unutilized credit lines for credit card facilities	**11,507**	10,661	**14**	13	**10,196**	9,461	**13**	11
Facilities for the lending of securities	**1,433**	985	**1**	-	**1,433**	985	**1**	-
Required guarantees and collateral in respect of the Stock Exchange and Maof Clearing Houses (see Note 25(D,E)).	**368**	611	**-**	-	**368**	611	**-**	-
Commitments to issue guarantees	**3,364**	2,470	**15**	11	**3,300**	2,388	**15**	11

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

(NIS millions)

E. Guaranties

1. General

The Bank provides to its customers a large variety of guaranties and letters of indemnity in order to improve their credit ability and allow them to consummate different types of transactions. In the case of certain contracts that match the definition of guaranty, the Bank recognizes at the initial recognition date, a liability in the amount of the fair value of the obligation in respect of the guarantee on date of issue thereof. The maximum amount of the future potential payments is determined in accordance with the stated amount of the guaranty, without taking into account possible repayments or held or pledged collateral.

As of December 31, 2025, the total written down cost of the liabilities in respect of guaranties, as detailed in the tables below, amounts to NIS 35 million (as of December 31, 2024 - NIS 40 million). The written down cost of financial and execution guaranties is included in the item "other liabilities".

2. Future potential payments

	Maximum amount of future potential payments									
	December 31, 2025					December 31, 2024				
	Expiry in one year or less	Expiry from one to three years	Expiry over three and up to five years	Total amount	Outstanding book balance	Expiry in one year or less	Expiry from one to three years	Expiry over three and up to five years	Total amount	Outstanding book balance
					NIS million					NIS million
Guaranties securing credit	**915**	**379**	**22**	**1,316**	**6**	941	252	19	1,212	7
Guaranties to home purchasers	**1,494**	**753**	**330**	**2,577**	**9**	1,865	707	242	2,814	11
Other guarantees and obligations	**3,987**	**919**	**827**	**5,733**	**20**	4,006	815	1,010	5,831	22
Commitments to issue guaranties	**557**	**1,026**	**1,781**	**3,364**	**-**	487	733	1,250	2,470	-
Total guaranties	**6,953**	**3,077**	**2,960**	**12,990**	**35**	7,299	2,507	2,521	12,327	40

3. Guaranty risk assessment

	Maximum amount of future potential payments							
	December 31, 2025				December 31, 2024			
	Rated in accordance with investment rating	Rated not in accordance with investment rating	Not rated	Total amount	Rated in accordance with investment rating	Rated not in accordance with investment rating	Not rated	Total amount
				NIS million				NIS million
Guaranties securing credit	**1,242**	**63**	**11**	**1,316**	1,159	35	18	1,212
Guaranties to home purchasers	**2,534**	**41**	**2**	**2,577**	2,770	44	-	2,814
Other guarantees and obligations	**5,512**	**173**	**48**	**5,733**	5,661	125	44	5,831
Commitments to issue guaranties	**3,364**	**-**	**-**	**3,364**	2,435	35	-	2,470
Total guaranties	**12,652**	**277**	**61**	**12,990**	12,026	239	62	12,327

NOTE 30 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES

(NIS million)

Consolidated	December 31, 2025						
	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	79,714	-	2,695	896	471	-	83,776
Securities	17,952	1,871	15,661	1,192	-	1,590	38,266
Securities which were borrowed or purchased under agreements to repurchase	355	-	-	-	-	-	355
Credit to the public, net(3)	116,339	16,022	10,630	2,225	122	1,036	146,374
Credit to the government	881	726	-	-	-	-	1,607
Investee company	-	-	-	-	-	875	875
Premises and equipment	-	-	-	-	-	871	871
Intangible assets	-	-	-	-	-	404	404
Assets in respect of derivative instruments	1,963	-	176	37	3	1,755	3,934
Other assets	1,047	2	14	3	1	304	1,371
Total assets	218,251	18,621	29,176	4,353	597	6,835	277,833
Liabilities							
Deposits from the public	191,901	3,898	34,567	5,032	2,069	1,042	238,509
Deposits from banks	1,260	-	449	111	86	-	1,906
Deposits from the Government	841	-	1,185	5	1	-	2,032
Securities lent or sold under agreements to repurchase	-	-	4,107	-	-	-	4,107
Bonds and subordinated capital notes	2,442	4,349	-	-	-	-	6,791
Liabilities in respect of derivative instruments	2,351	20	131	77	7	1,750	4,336
Other liabilities	4,781	75	31	10	-	56	4,953
Total liabilities	203,576	8,342	40,470	5,235	2,163	2,848	262,634
Difference	14,675	10,279	(11,294)	(882)	(1,566)	3,987	15,199
Non-hedging derivatives							
Derivative instruments (not including options)	(12,972)	(856)	11,408	840	1,580	-	-
Options in the money, net (in terms of underlying asset)	144	-	(166)	22	-	-	-
Options out of the money, net (in terms of underlying asset)	204	-	(188)	(16)	-	-	-
Total	2,051	9,423	(240)	(36)	14	3,987	15,199
Options in the money, net (present value of stated amount)	218	-	(243)	25	-	-	-
Options out of the money, net (present value of stated amount)	392	-	(665)	273	-	-	-

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

(NIS million)

Consolidated	December 31, 2024						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	74,298	-	1,904	503	470	-	77,175
Securities	17,053	2,071	12,867	1,185	-	1,220	34,396
Securities which were borrowed or purchased under agreements to repurchase	70	-	-	-	-	-	70
Credit to the public, net[3]	101,410	16,137	9,274	1,735	108	752	129,416
Credit to the government	789	707	-	-	-	-	1,496
Investee companies	-	-	-	-	-	842	842
Premises and equipment	-	-	-	-	-	867	867
Intangible assets	-	-	-	-	-	363	363
Assets in respect of derivative instruments	713	3	540	19	3	1,287	2,565
Other assets	1,059	3	2	3	-	306	1,373
Total assets	195,392	18,921	24,587	3,445	581	5,637	248,563
Liabilities							
Deposits from the public	173,406	4,784	30,309	3,943	1,557	756	214,755
Deposits from banks	2,169	-	266	3	70	-	2,508
Deposits from the Government	427	-	2,108	3	2	-	2,540
Securities lent or sold under agreements to repurchase	-	-	2,304	-	-	-	2,304
Bonds and subordinated capital notes	-	4,479	-	-	-	-	4,479
Liabilities in respect of derivative instruments	1,066	24	346	10	1	1,282	2,729
Other liabilities	4,428	81	572	9	24	50	5,164
Total liabilities	181,496	9,368	35,905	3,968	1,654	2,088	234,479
Difference	13,896	9,553	(11,318)	(523)	(1,073)	3,549	14,084
Non-hedging derivatives:							
Derivative instruments (not including options)	(12,164)	(256)	10,914	427	1,079	-	-
Options in the money, net (in terms of underlying asset)	(52)	-	(78)	129	-	1	-
Options out of the money, net (in terms of underlying asset)	(150)	-	177	(27)	-	-	-
Total	1,530	9,297	(305)	6	6	3,550	14,084
Options in the money, net (present value of stated amount)	(40)	-	(118)	157	-	1	-
Options out of the money, net (present value of stated amount)	(726)	-	570	156	-	-	-

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

(NIS million)

The bank	December 31, 2025						
	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	79,143	450	2,693	895	471	-	83,652
Securities	15,697	1,516	15,639	1,106	-	1,590	35,548
Securities which were borrowed or purchased under agreements to repurchase	355	-	-	-	-	-	355
Credit to the public, net[3]	110,171	15,653	10,626	2,221	121	1,036	139,828
Credit to the government	880	-	-	-	-	-	880
Investee companies	-	-	-	-	-	1,842	1,842
Premises and equipment	-	-	-	-	-	852	852
Intangible assets	-	-	-	-	-	402	402
Assets in respect of derivative instruments	1,963	-	176	37	3	1,755	3,934
Other assets	999	-	14	2	1	269	1,285
Total assets	209,208	17,619	29,148	4,261	596	7,746	268,578
Liabilities							
Deposits from the public	185,454	5,479	34,283	4,854	2,054	1,042	233,166
Deposits from banks	2,342	300	705	198	103	-	3,648
Deposits from the Government	841	-	1,185	5	1	-	2,032
Securities lent or sold under agreements to repurchase	-	-	4,107	-	-	-	4,107
Bonds and subordinated capital notes	-	2,268	-	-	-	-	2,268
Liabilities in respect of derivative instruments	2,351	20	132	78	7	1,750	4,338
Other liabilities	4,235	73	30	10	1	56	4,405
Total liabilities	195,223	8,140	40,442	5,145	2,166	2,848	253,964
Difference	13,985	9,479	(11,294)	(884)	(1,570)	4,898	14,614
Non-hedging derivatives:							
Derivative instruments (not including options)	(12,972)	(856)	11,408	840	1,580	-	-
Options in the money, net (in terms of underlying asset)	144	-	(166)	22	-	-	-
Options out of the money, net (in terms of underlying asset)	204	-	(188)	(16)	-	-	-
Total	1,361	8,623	(240)	(38)	10	4,898	14,614
Options in the money, net (present value of stated amount)	218	-	(243)	25	-	-	-
Options out of the money, net (present value of stated amount)	392	-	(665)	273	-	-	-

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

(NIS million)

The bank	December 31, 2024						
	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	72,887	443	1,897	497	470	-	76,194
Securities	15,123	1,709	12,844	1,100	-	1,220	31,996
Securities which were borrowed or purchased under agreements to repurchase	70	-	-	-	-	-	70
Credit to the public, net[3]	95,425	15,756	9,270	1,729	108	752	123,040
Credit to the Government	789	-	-	-	-	-	789
Investee companies	-	-	-	-	-	1,826	1,826
Premises and equipment	-	-	-	-	-	847	847
Intangible assets and goodwill	-	-	-	-	-	360	360
Assets in respect of derivative instruments	713	3	540	19	3	1,287	2,565
Other assets	1,014	-	2	2	-	272	1,290
Total assets	186,021	17,911	24,553	3,347	581	6,564	238,977
Liabilities							
Deposits from the public	164,437	6,496	30,022	3,754	1,542	756	207,007
Deposits from banks	3,040	350	518	96	87	-	4,091
Deposits from the Government	427	-	2,108	3	2	-	2,540
Securities lent or sold under agreements to repurchase	-	-	2,304	-	-	-	2,304
Bonds and subordinated capital notes	-	2,218	-	-	-	-	2,218
Liabilities in respect of derivative instruments	1,066	24	349	10	1	1,282	2,732
Other liabilities	3,921	80	572	8	24	50	4,655
Total liabilities	172,891	9,168	35,873	3,871	1,656	2,088	225,547
Difference	13,130	8,743	(11,320)	(524)	(1,075)	4,476	13,430
Non-hedging derivatives:							
Derivative instruments (not including options)	(12,164)	(256)	10,914	427	1,079	-	-
Options in the money, net (in terms of underlying asset)	(52)	-	(78)	129	-	1	-
Options out of the money, net (in terms of underlying asset)	(150)	-	177	(27)	-	-	-
Total	764	8,487	(307)	5	4	4,477	13,430
Options in the money, net (present value of stated amount)	(40)	-	(118)	157	-	1	-
Options out of the money, net (present value of stated amount)	(726)	-	570	156	-	-	-

(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 31 -ASSETS AND LIABILITIES ACCORDING TO CURRENCY AND MATURITY DATES[1]

Consolidated	December 31, 2025				
	Cash flows by contractual maturity date				
	On demand up to 1 day	Over 1 day up to 1 week	Over 1 week up to 1 month	Over 1 month up to 3 months	Over 3 months up to 1 year
					NIS million
Cash, deposits and tradable bonds[3]					
Cash and deposits with banks	**79,355**	**-**	**4,402**	**22**	**2**
Tradable government bonds	**355**	**638**	**4,533**	**3,518**	**4,501**
Other tradable bonds	**-**	**2**	**62**	**23**	**220**
Total cash, deposits and tradable bonds	**79,710**	**640**	**8,997**	**3,563**	**4,723**
Other monetary assets					
Credit to the public[4]	**5,313**	**6,420**	**12,882**	**14,213**	**25,636**
Other monetary assets excluding derivatives	**31**	**19**	**674**	**335**	**1,103**
Total other monetary assets, excluding derivatives	**85,054**	**7,079**	**22,553**	**18,111**	**31,462**
Monetary liabilities					
Deposits from the public[5]	**104,316**	**30,266**	**29,164**	**44,313**	**24,890**
Of which: households and small businesses	**46,874**	**6,746**	**10,169**	**17,855**	**10,955**
Deposits from banks	**1,665**	**4**	**12**	**23**	**63**
Securities lent or sold under agreements to repurchase	**211**	**-**	**326**	**673**	**2,968**
Bonds and subordinated capital notes	**-**	**-**	**-**	**39**	**2,759**
Other monetary liabilities excluding derivatives and employee benefits	**1,588**	**484**	**1,804**	**748**	**655**
Total monetary liabilities excluding derivatives	**107,780**	**30,754**	**31,306**	**45,796**	**31,335**
Employee benefits and off-balance sheet items					
Effect of derivative instruments	**-**	**(121)**	**(78)**	**(88)**	**(140)**
Commitments to provide credit	**(2,918)**	**(87)**	**(3,918)**	**(2,100)**	**(35,542)**
Employee benefits	**(9)**	**(3)**	**(55)**	**(125)**	**(223)**
Effect of employee benefits and off-balance sheet items	**(2,927)**	**(211)**	**(4,051)**	**(2,313)**	**(35,905)**
Total net cash flows (including in NIS and foreign currency)	**(25,653)**	**(23,886)**	**(12,804)**	**(29,998)**	**(35,778)**
Of which: Total cash, deposits and tradable bonds in foreign currency	**4,062**	**638**	**4,398**	**3,195**	**969**
Total other monetary assets in foreign currency	**71**	**140**	**1,250**	**4,134**	**3,978**
Total other monetary liabilities in foreign currency	**25,000**	**1,127**	**5,698**	**8,713**	**7,221**
Effect of employee benefits and off-balance sheet items in foreign currency	**(38)**	**8,189**	**4,123**	**(2,414)**	**63**
Total net cash flows in foreign currency	**(20,905)**	**7,840**	**4,073**	**(3,798)**	**(2,211)**

				Balance sheet balance[1]		
	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	No maturity date	Total	Effective rate of return[2]
			NIS million		NIS million	%
	-	-	-	-	83,776	4.07
	5,815	10,134	9,454	-	34,022	4.27
	933	967	1,298	-	3,009	3.13
	6,748	11,101	10,752	-	120,807	4.22
	27,901	16,459	52,683	12,960	145,338	5.02
	89	36	693	3	2,674	(0.52)
	34,738	27,596	64,128	12,963	268,819	4.85
	2,837	418	3,081	-	237,467	3.68
	859	142	441	-	93,534	3.40
	145	-	-	-	1,906	3.08
	-	-	-	-	4,107	4.35
	2,053	82	2,398	-	6,791	2.44
	199	69	101	29	5,670	0.11
	5,234	569	5,580	29	255,941	3.23
	10	14	2	-	(407)	
	(3,420)	(8,536)	-	-	(56,521)	
	(142)	(139)	(1,199)	-	(1,259)	
	(3,552)	(8,661)	(1,197)	-	(58,187)	
	25,952	18,366	57,351	12,934	(45,309)	
	4,103	1,902	3,203	-	20,909	4.39
	1,016	696	524	1,636	12,978	3.84
	8	-	-	-	47,627	5.36
	54	(58)	3	-	9,590	
	5,165	2,540	3,730	1,636	(4,150)	

NOTE 31 -ASSETS AND LIABILITIES ACCORDING TO CURRENCY AND MATURITY DATES(1)

Consolidated	December 31, 2024				
	Cash flows by contractual maturity date				
	On demand up to 1 day	Over 1 day up to 1 week	Over 1 week up to 1 month	Over 1 month up to 3 months	Over 3 months up to 1 year
					NIS million
Cash, deposits and tradable bonds(3)	25,490	47,560	8,348	2,858	4,600
Other monetary assets, excluding derivatives	4,994	5,771	10,614	13,090	20,275
Deposits from the public	88,231	26,466	28,204	41,716	27,276
Other monetary liabilities excluding derivatives and employee benefits	2,570	494	1,431	4,328	3,794
Effect of employee benefits and off-balance sheet items	(2,396)	(86)	(3,808)	(1,422)	(34,103)
Total net cash flows	(62,713)	26,285	(14,481)	(31,518)	(40,298)
Of which: Total net cash flows in foreign currency	(12,878)	2,217	2,387	(2,118)	(3,186)

(1) As included in Note 30, "Assets and Liabilities by Linkage Base", including off-balance sheet amounts in respect of derivatives that are not settled on a net basis.
(2) The interest rate discounting the expected contractual future cash flows in respect of a monetary item to its balance sheet balance.
(3) The fair value of unpledged cash, deposits and tradable bonds stands a NIS 112,028 million as of December 31,2025 (31.12.24 - NIS 105,108 million).
(4) Future cash flows of loans to the public are presented according to the contractual maturity date of the loans. Credit in current accounts or current drawing accounts, on-call credit and credit past due by 30 days or more, are presented in the "no maturity date" column. The allowance for credit losses is deducted from the relevant cash flows.
(5) Future cash flows of deposits are presented according to the earliest possible withdrawal date under the contract. Deposits that can contractually be withdrawn immediately are presented in the "on demand up to 1 day" column.

				Balance sheet balance[1]		
	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	No maturity date	Total	Effective rate of return[2]
			NIS million		NIS million	%
	8,919	5,032	12,534	-	110,421	4.28
	26,429	15,832	49,710	12,414	131,227	4.61
	2,594	286	494	-	213,999	3.39
	895	169	2,456	25	15,719	1.94
	(2,789)	(6,945)	(1,236)	-	(52,001)	
	29,070	13,464	58,058	12,389	(40,071)	
	5,998	1,856	1,841	1,236	(4,119)	

NOTE 31 - ASSETS AND LIABILITIES ACCORDING TO CURRENCY AND MATURITY DATES[1] (CONT'D)

The bank	December 31, 2025				
	Cash flows by contractual maturity date				
	On demand up to 1 day	Over 1 day up to 1 week	Over 1 week up to 1 month	Over 1 month up to 3 months	Over 3 months up to 1 year
	NIS million				
Cash, deposits and tradable bonds[3]					
Cash and deposits with banks	**78,781**	**-**	**4,402**	**22**	**450**
Tradable government bonds	**355**	**638**	**4,532**	**3,423**	**4,125**
Other tradable bonds	**-**	**2**	**62**	**22**	**195**
Total cash, deposits and tradable bonds	**79,136**	**640**	**8,996**	**3,467**	**4,770**
Other monetary assets					
Credit to the public[4]	**5,187**	**6,098**	**12,629**	**13,784**	**24,351**
Other monetary assets excluding derivatives	**49**	**16**	**671**	**342**	**355**
Total other monetary assets, excluding derivatives	**84,372**	**6,754**	**22,296**	**17,593**	**29,476**
Monetary liabilities					
Deposits from the public[5]	**98,541**	**29,813**	**28,155**	**42,573**	**26,923**
Of which: households and small businesses	**41,707**	**6,302**	**9,250**	**16,120**	**10,242**
Deposits from banks	**1,674**	**26**	**112**	**153**	**1,145**
Securities lent or sold under agreements to repurchase	**211**	**-**	**326**	**673**	**2,968**
Bonds and subordinated capital notes	**-**	**-**	**-**	**39**	**10**
Other monetary liabilities excluding derivatives and employee benefits	**1,552**	**348**	**1,739**	**633**	**559**
Total monetary liabilities excluding derivatives	**101,978**	**30,187**	**30,332**	**44,071**	**31,605**
Employee benefits and off-balance sheet items					
Effect of derivative instruments	**-**	**(121)**	**(78)**	**(88)**	**(141)**
Commitments to provide credit	**(2,902)**	**(87)**	**(3,903)**	**(2,073)**	**(33,155)**
Employee benefits	**(5)**	**(3)**	**(55)**	**(123)**	**(207)**
Effect of employee benefits and off-balance sheet items	**(2,907)**	**(211)**	**(4,036)**	**(2,284)**	**(33,503)**
Total net cash flows (including in NIS and foreign currency)	**(20,513)**	**(23,644)**	**(12,072)**	**(28,762)**	**(35,632)**
Of which: Total cash, deposits and tradable bonds in foreign currency	**4,060**	**638**	**4,396**	**3,188**	**969**
Total other monetary assets in foreign currency	**70**	**137**	**1,248**	**4,133**	**3,977**
Total other monetary liabilities in foreign currency	**24,617**	**1,146**	**5,719**	**8,774**	**7,389**
Effect of employee benefits and off-balance sheet items in foreign currency	**(38)**	**8,189**	**4,123**	**(2,415)**	**62**
Total net cash flows in foreign currency	**(20,525)**	**7,818**	**4,048**	**(3,868)**	**(2,381)**

				Balance sheet balance[1]		
	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	No maturity date	Total	Effective rate of return[2]
			NIS million		NIS million	%
	-	-	-	-	83,652	1.78
	5,210	9,196	8,439	-	31,457	4.30
	820	949	1,293	-	2,856	3.14
	6,030	10,145	9,732	-	117,965	4.24
	25,719	15,186	51,317	12,352	138,792	4.91
	82	30	673	-	1,896	-
	31,831	25,361	61,722	12,352	258,653	4.78
	4,703	387	3,005	-	232,124	3.55
	756	111	364	-	84,381	3.54
	604	-	-	-	3,648	3.71
	-	-	-	-	4,107	4.35
	83	82	2,398	-	2,268	2.06
	172	59	89	29	5,176	0.13
	5,562	528	5,492	29	247,323	3.18
	9	14	2	-	(409)	
	(3,295)	(8,403)	-	-	(53,818)	
	(137)	(135)	(1,156)	-	(1,205)	
	(3,423)	(8,524)	(1,154)	-	(55,432)	
	22,846	16,309	55,076	12,323	(44,102)	
	4,015	1,885	3,203	-	20,799	4.39
	1,015	696	524	1,636	12,968	3.84
	8	-	-	-	47,509	5.14
	54	(59)	3	-	9,588	
	5,076	2,522	3,730	1,636	(4,154)	

NOTE 31 - ASSETS AND LIABILITIES ACCORDING TO CURRENCY AND MATURITY DATES[1] (CONT'D)

The bank	December 31, 2024				
	Cash flows by contractual maturity date				
	On demand up to 1 day	Over 1 day up to 1 week	Over 1 week up to 1 month	Over 1 month up to 3 months	Over 3 months up to 1 year
	NIS million				
Cash, deposits and tradable bonds[3]	24,525	47,560	7,888	2,833	4,217
Other monetary assets, excluding derivatives	4,865	5,482	10,385	12,674	19,002
Deposits from the public	82,273	26,030	27,184	40,078	28,405
Other monetary liabilities excluding derivatives and employee benefits	2,514	413	1,402	4,431	2,371
Effect of employee benefits and off-balance sheet items	(2,391)	(85)	(3,801)	(1,384)	(31,730)
Total net cash flows	(57,788)	26,514	(14,114)	(30,386)	(39,287)
Of which: Total net cash flows in foreign currency	(12,479)	2,198	2,366	(2,263)	(3,296)

(1) As included in Note 30, "Assets and Liabilities by Linkage Base", including off-balance sheet amounts in respect of derivatives that are not settled on a net basis.
(2) The interest rate discounting the expected contractual future cash flows in respect of a monetary item to its balance sheet balance.
(3) The fair value of unpledged cash, deposits and tradable bonds stands a NIS 109,186 million as of December 31,2025 (31.12.24 - NIS 101,727 million).
(4) Future cash flows of loans to the public are presented according to the contractual maturity date of the loans. Credit in current accounts or current drawing accounts, on-call credit and credit past due by 30 days or more, are presented in the "no maturity date" column. The allowance for credit losses is deducted from the relevant cash flows.
(5) Future cash flows of deposits are presented according to the earliest possible withdrawal date under the contract. Deposits that can contractually be withdrawn immediately are presented in the "on demand up to 1 day" column.

				Balance sheet balance[1]		
	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	No maturity date	Total	Effective rate of return[2]
			NIS million		NIS million	%
	8,742	4,424	11,311	-	107,040	4.24
	23,481	14,630	48,465	11,762	124,095	4.45
	2,840	253	419	-	206,251	3.24
	1,323	160	2,445	25	14,585	2.13
	(2,674)	(6,796)	(1,192)	-	(49,386)	
	25,386	11,845	55,720	11,737	(39,087)	
	5,895	1,854	1,823	1,235	(4,123)	

NOTE 32 - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(NIS million)

General

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

Fair value of financial instruments

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

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

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

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

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

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

Credit to the public - The fair value was estimated according to discounting the future cash flows in an appropriate discount rate. The balance was separated into homogenous categories. The receipts in each category were discounted at a discount rate which reflects the risk inherent in the category. In general, this discount rate is determined according to the interest at which the Bank transacts similar business at the reporting date. As from the second quarter of 2025, an update of computing the interest rate methodology has been done. Comparative data were not restated.

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

Cash flows in respect of mortgages have been assessed according to the premature repayment forecast, which is based on a statistical model. As from the fourth quarter of 2025 the model was updated, which led to a decline in the value amounting to NIS 270 million. Comparative data were not restated.

NOTE 32 - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

Deposits and subordinated capital notes - fair value was estimated by discounting future cash flows according to interest rates used by the Group in raising similar deposits, or issuing similar capital notes (if a quoted price on an active market is not available) at reporting date. As from the second quarter of 2025, an update of computing the interest rate methodology has been done. Comparative data were not restated.

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.

For deposits with no repayment date, the balance sheet balance constitutes the estimate of fair value.

Cashflows in respect of deposits from the public were estimated according to premature repayment forecast, which is based on a statistical model.

Derivative financial instruments - Derivative financial instruments for which an active market exists have been estimated at market value, and where several active markets exist, have been estimated according to the most beneficial market.

Derivative financial instruments for which no active market exists have been calculated according to models which are used by the Group in current activity and take into account the inherent risks of the financial instrument (market risk, credit risk, etc.).

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

NOTE 32 - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

A. Composition

	Consolidated				
	December 31, 2025				
		Fair value[1]			
	Stated in the Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	**83,776**	**604**	**83,148**	**15**	**83,767**
Securities[2]	**38,266**	**21,008**	**17,079**	**272**	**38,359**
Securities which were borrowed or purchased under agreements to repurchase	**355**	**-**	**355**	**-**	**355**
Credit to the public, net	**146,374**	**23,667**	**-**	**122,897**	**146,564**
Credit to the government	**1,607**	**-**	**853**	**722**	**1,575**
Assets in respect of derivative instruments	**3,934**	**1,844**	**1,376**	**714**	**3,934**
Other financial assets	**246**	**5**	**-**	**241**	**246**
Total financial assets	[3]**274,558**	**47,128**	**102,811**	**124,861**	**274,800**
Financial liabilities					
Deposits from the public	**238,509**	**19,245**	**173,331**	**45,814**	**238,390**
Deposits from Banks	**1,906**	**-**	**1,902**	**13**	**1,915**
Deposits from the Government	**2,032**	**411**	**1,610**	**12**	**2,033**
Securities lent or sold under agreements to repurchase	**4,107**	**-**	**1,205**	**2,904**	**4,109**
Bonds and subordinated capital notes	**6,791**	**6,798**	**-**	**18**	**6,816**
Liabilities in respect of derivative instruments	**4,336**	**1,844**	**2,472**	**20**	**4,336**
Other financing liabilities	**3,493**	**5**	**-**	**3,464**	**3,469**
Total financial liabilities	[3]**261,174**	**28,303**	**180,520**	**52,245**	**261,068**
Off balance sheet financial instruments					
Transactions where the balance represents credit risk	**35**	**-**	**-**	**35**	**35**
In addition, the liability in respect of employee rights, net, measured on an actuarial basis	**952**	**-**	**-**	**952**	**952**

(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 12, "Securities".

(3) Of which: assets of NIS 58,058 million and liabilities of NIS 24,002 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 section B-D.

NOTE 32 - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

A. Composition (CONT'D)

	Consolidated				
	December 31, 2024				
		Fair value[1]			
	Stated in the Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	77,175	663	76,510	-	77,173
Securities[2]	34,396	19,820	14,292	209	34,321
Securities which were borrowed or purchased under agreements to repurchase	70	-	70	-	70
Credit to the public, net	129,416	17,930	-	110,296	128,226
Credit to the government	1,496	-	784	657	1,441
Assets in respect of derivative instruments	2,565	1,340	836	389	2,565
Other financial assets	273	1	-	271	272
Total financial assets	[3]245,391	39,754	92,492	111,822	244,068
Financial liabilities					
Deposits from the public	214,755	14,661	157,550	42,196	214,407
Deposits from Banks	2,508	-	2,183	322	2,505
Deposits from the Government	2,540	69	2,453	19	2,541
Securities which were lent or sold under agreements to repurchase	2,304	-	1,605	700	2,305
Bonds and subordinated capital notes	4,479	4,389	-	27	4,416
Liabilities in respect of derivative instruments	2,729	1,342	1,363	24	2,729
Other financing liabilities	3,598	1	-	3,572	3,573
Total financial liabilities	[3]232,913	20,462	165,154	46,860	232,476
Off balance sheet financial instruments					
Transactions were the balance represents credit risk	40	-	-	40	40
In addition, the liability in respect of employee rights, gross - pension and severance pay[4]	936	-	-	936	936

(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 12, "Securities".

(3) Of which: assets of NIS 48,150 million and liabilities of NIS 17,465 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 section B-D.

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

NOTE 32 - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

B. ITEMS MEASURED AT FAIR VALUE

1. ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS

	December 31, 2025				
	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	Total fair value
Assets					
Bonds available for sale	**11,593**	**16,054**	**-**	**-**	**27,647**
Shares not for trading	**1,288**	**-**	**-**	**-**	**1,288**
Trading Securities	**684**	**833**	**-**	**-**	**1,517**
Assets in respect of derivative instruments	**1,844**	**1,376**	**714**	**-**	**3,934**
Others	**23,672**	**-**	**-**	**-**	**23,672**
Total assets	**39,081**	**18,263**	**714**	**-**	**58,058**
Liabilities					
Liabilities in respect of derivative instruments	**1,844**	**2,477**	**20**	**-**	**4,341**
Others	**19,661**	**-**	**-**	**-**	**19,661**
Total liabilities	**21,505**	**2,477**	**20**	**-**	**24,002**

	December 31, 2024				
	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	Total fair value
Assets					
Bonds available for sale	11,029	13,331	-	-	24,360
Shares not for trading	997	-	-	-	997
Trading Securities	1,554	743	-	-	2,297
Assets in respect of derivative instruments	1,340	836	389	-	2,565
Others	17,931	-	-	-	17,931
Total assets	32,851	14,910	389	-	48,150
Liabilities					
Liabilities in respect of derivative instruments	1,342	1,367	24	-	2,733
Others	14,732	-	-	-	14,732
Total liabilities	16,074	1,367	24	-	17,465

NOTE 32 - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

B. ITEMS MEASURED AT FAIR VALUE (Cont'd)

2. ITEMS MEASURED AT FAIR VALUE ON A NON-RECURRENT BASIS

	December 31, 2025				
	Level 1	Level 2	Level 3	Total fair value	Profit in respect of value changes for the year ended December 31, 2025
Investment in shares	-	3	-	3	-
Non-accruing credit the collection of which is contingent on collateral	-	-	7	7	9

	December 31, 2024				
	Level 1	Level 2	Level 3	Total fair value	Profit in respect of value changes for the year ended December 31, 2024
Investment in shares	-	2	-	2	-
Non-accruing credit the collection of which is contingent on collateral	-	-	12	12	-

NOTE 32 - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

(NIS million)

C. CHANGES IN ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS INCLUDED IN LEVEL 3

	For the year ended December 31, 2025							
	Fair value as of December 31, 2024	Profits (losses) Included in the profit and loss statement [1]	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as of December 31, 2025	Unrealized profits (losses) in respect of instruments held as of December 31, 2025
Assets								
Assets in respect of derivative instruments	**389**	**5,712**	**65**	**(5,452)**	**-**	**-**	**714**	**702**
Liabilities								
Liabilities in respect of derivative instruments	**24**	**1**	**-**	**(3)**	**-**	**-**	**20**	**1**

	For the year ended December 31, 2024							
	Fair value as of December 31, 2023	Profits (losses) Included in the profit and loss statement [1]	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as of December 31, 2024	Unrealized profits (losses) in respect of instruments held as of December 31, 2024
Assets								
Assets in respect of derivative instruments	612	3,056	82	(3,361)	-	-	389	337
Liabilities								
Liabilities in respect of derivative instruments	20	(5)	-	(1)	-	-	24	(6)

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

NOTE 32 - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS (CONT'D)

D. QUANTITATIVE INFORMATION ON ITEMS MEASURED AT FAIR VALUE INCLUDED IN LEVEL 3

		December 31, 2025				
		Value Assessment technique	Unobservable inputs	Fair value	Average	Range
				(NIS million)		in %
A.	**Items measured at fair value on a recurrent basis**					
	Assets					
	Assets in respect of derivative instruments:					
	Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	**2**	**0.43**	**(1.19)-1.65**
	Interest rate contract: other	Discounted cash flow	Counter-party credit risk	**4**	**1.47**	**1.04-1.67**
	Foreign currency contracts	Discounted cash flow	Counter-party credit risk	**708**	**1.73**	**1.04-6.66**
	Liabilities					
	Liabilities in respect of derivative instruments:					
	Foreign currency contracts	Discounted cash flow	Anticipated inflation curve	**20**	**1.38**	**1.21-1.43**
B.	**Items measured at fair value on a non-recurrent basis**					
	Non-accruing credit the collection of which is contingent on collateral	Collaterals value		**7**		

		December 31, 2024				
		Value Assessment technique	Unobservable inputs	Fair value	Average	Range
				(NIS million)		in %
A.	**Items measured at fair value on a recurrent basis**					
	Assets					
	Assets in respect of derivative instruments:					
	Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	1	3.47	3.47
	Interest rate contract: other	Discounted cash flow	Counter-party credit risk	9	1.66	1.20-1.95
	Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	1	(0.11)	(0.11)
			2. Counter-party credit risk	378	1.89	1.00-4.43
	Liabilities					
	Liabilities in respect of derivative instruments:					
	Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	22	2.93	2.53-3.47
	Foreign currency contracts	Discounted cash flow	CPI-linked interest	2	(0.11)	(0.11)
B.	**Items measured at fair value on a non-recurrent basis**					
	Non-accruing credit the collection of which is contingent on collateral	Collaterals value		12		

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

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

NOTE 33 - INTERESTED AND RELATED PARTIES

(NIS million)

A. Balances

	December 31, 2025			
	Interested parties[1]			
	Shareholders			
	Controlling shareholders[2]		Others[3]	
	Year-end balance	Highest balance during the year[5]	Year-end balance	Highest balance during the year[5]
Securities[12]	-	-	-	-
Credit to the public	-	-	-	-
Investment in equity-basis investees[9]	-	-	-	-
Other assets	-	-	-	-
Deposits from the public	22	45	-	-
Other liabilities	-	-	-	-
Shares (included in shareholders' equity)[10]	7,064	7,064	-	-
Credit risk in off- balance sheet financial instrument[9][11]	-	-	-	-

	December 31, 2024			
	Interested parties[1]			
	Shareholders			
	Controlling shareholders[2]		Others[3]	
	Year-end balance	Highest balance during the year[5]	Year-end balance	Highest balance during the year[5]
Securities [12]	-	-	-	-
Credit to the public	-	-	-	-
Investment in equity-basis investees[9]	-	-	-	-
Other assets	-	-	-	-
Deposits from the public	44	48	-	-
Other liabilities	-	-	-	-
Shares (included in shareholders' equity)[10]	6,492	6,492	-	-
Credit risk in off- balance sheet financial instrument[9][11]	-	-	-	-

Note: For notes to the table see page 294.

B. Condensed results of transactions with related and interested parties

	Interested parties[1]								
	Shareholders								
	Controlling shareholders[2]			Others[3]			Office-holders[4]		
	For the year ended December 31			For the year ended December 31			For the year ended December 31		
Statement of income items	2025	2024	2023	2025	2024	2023	2025	2024	2023
Net interest income (expenses)*	(1)	(2)	-	-	-	-	-	-	-
Non-interest income (expense)	-	-	1	-	-	-	-	-	-
Operating and other expenses**	-	-	-	-	-	-	(42)	(40)	(42)
Total	(1)	(2)	1	-	-	-	(42)	(40)	(42)

* Details are provided in D below.
** Details are provided in C below.

	Interested parties[1]						Related parties held by the Bank[1]			
	Office-holders[4]		Others[6]		Whoever was an interested party at the time of the transaction		Equity basis investees[7]		others[8]	
	Year-end balance	Highest balance during the year[5]	Year-end balance	Highest balance during the year[5]	Year-end balance	Highest balance during the year[5]	Year-end balance	Highest balance during the year[5]	Year-end balance	Highest balance during the year[5]
Deposits	-	-	-	-	8	9	-	-	-	-
Credit	14	17	196	258	7	107	921	1,052	14	25
Credit to investees	-	-	-	-	-	-	875	875	-	-
Credit to others	-	-	86	104	-	4	4	5	-	-
Securities	8	18	20,370	20,379			39	68	168	242
Derivatives	26	26	12	72			-	1	-	-
Other assets	-	-	-	-			-	-	-	-
Other liabilities	4	4	1,077	1,077	61	86	6	126	1	1

	Interested parties[1]						Related parties held by the Bank[1]			
	Office-holders[4]		Others[6]		Whoever was an interested party at the time of the transaction		Equity basis investees[7]		others[8]	
	Year-end balance	Highest balance during the year[5]	Year-end balance	Highest balance during the year[5]	Year-end balance	Highest balance during the year[5]	Year-end balance	Highest balance during the year[5]	Year-end balance	Highest balance during the year[5]
Deposits	-	-	5	10	-	-	-	-	-	-
Credit	17	26	118	148	6	7	827	1,031	23	26
Credit to investees	-	-	-	-	-	-	842	842	-	-
Credit to others	-	-	-	-	4	11	-	-	-	-
Securities	17	21	835	1,091			5	39	117	159
Derivatives	23	23	-	-			-	1	-	-
Other assets	-	-	-	-			-	-	-	-
Other liabilities	3	10	104	104	1	1	5	5	1	1

	Interested parties			Related parties held by the Bank [1]					
	Others[6]			Equity basis investees[7]			Others[8]		
	For the year ended December 31			For the year ended December 31			For the year ended December 31		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Interest income	(519)	(29)	(39)	41	34	34	-	-	-
Interest expenses	978	16	(25)	-	(2)	(4)	-	-	-
Commissions	-	-	-	-	-	-	-	-	-
Other	459	(13)	(64)	41	32	30	-	-	-

NOTE 33 - INTERESTED AND RELATED PARTIES (CONT'D)

(NIS million)

C. Benefits to interested parties (by the Bank and its investees)

	Salaries to interested parties (by the Bank and its investees)*					
	For the year ended December 31, 2025		For the year ended December 31, 2024		For the year ended December 31, 2023	
	Office-holders[4]		Office-holders[4]		Office-holders[4]	
	Total benefits	Number of benefits recipients	Total benefits	Number of benefits recipients	Total benefits	Number of benefits recipients
Interested parties employed by the Bank	****38**	**15**	**34	15	**37	16
Directors not employed by the Bank	**5**	**9**	6	9	5	9

* Not including VAT on salary.

** Of which: employee benefits for short term - NIS 34 million (2024 - NIS 31 million, 2023 - NIS 31 million), share based remuneration– NIS 2 million and other benefits after termination of employment - NIS 2 million (2024 - NIS 3 million, 2023 - NIS 3 million).

Notes:

(1) Interested party, related party, related person - within the definition in Section 80(d) of the public reporting instructions.
(2) Controlling shareholders and their kin - in accordance with Section 80(d)(1) of the public reporting instructions.
(3) Other shareholders - including whoever holds 5% or more of the means of control of a banking corporation, and whoever is entitled to appoint one or more directors to the board of directors of a banking corporation or its general manager - in accordance with Section 80(d)(2) of the public reporting instructions.
(4) Officers - in accordance with Section 80(d)(3) of the public reporting instructions.
(5) On the basis of the outstanding balance at month-end.
(6) In accordance with Section 80(d)(4) of the public reporting instructions- in respect of corporations in which, a person or a corporation, included in one of the groups of interested parties according to the Securities Act, holds twenty-five percent or over of their issued share capital or of the voting therein, or is entitled to appoint twenty-five percent or over of their number of directors.
(7) Equity based investees - in accordance with Section 80(d)(7) of the public reporting instructions.
(8) In accordance with Section 80(d)(8) of the public reporting instructions.
(9) Details of this item is included also in Note 15 - Investee companies.
(10) Holdings by interested and related parties in the equity of a banking corporation.
(11) Credit risk inherent in off-balance sheet financial instruments, as computed for the purpose of limitations applying to a single borrower.
(12) Details of this item is also included in Note 12 - securities.

D. Net interest income in respect of transactions with interested and related parties*

	Consolidated			of which: investee companies		
	For the year ended December 31			For the year ended December 31		
	2025	2024	2023	2025	2024	2023
In respect of assets						
From credit to the public	**45**	41	38	**41**	34	34
In respect of liabilities						
On deposits from the public	**(524)**	(38)	(43)	**-**	-	-
Total net interest income (expense)	**(479)**	3	(5)	**41**	34	34

* For information regarding the terms of transactions and outstanding balances with related and interested parties, see item E, below.

NOTE 33 - INTERESTED AND RELATED PARTIES (CONT'D)

E. Aquisition of control of the Bank

On September 19, 2003, the control of FIBI Holdings Ltd. (hereinafter - "FIBI"), the parent company of the Bank, was transferred to Binohon Ltd. and the Australian Liberman Group (composed of the Michael and Helen Abeles family and the Liberman family (Messrs. Barry Liberman, Cassy Liberman-Harris, Lee Liberman and Joshua Liberman), by way of Instanz Holdings Ltd. and Dolphin Energies Ltd. in equal parts). The purchasers have between them a voting and cooperation agreement.

The transfer of control was in accordance of a permit issued by the Governor of Bank of Israel on August 27, 2003 to purchase the control and the means to control in FIBI Holdings Ltd. and The First International Bank of Israel Ltd. granted according to the Banking Law (licensing) 1981.

The permit states different condition and liabilities as to the holding of the means of control, their transfer and the relations between the permit holders, FIBI and the Bank.

The permit states that no dividend shall be distributed out of earnings retained by the Bank as of March 31, 2003, and in the event that the Bank would sustain losses subsequent to that date - no dividend shall be distributed until such losses are recovered. The balance of distributable retained earnings as of March 31, 2003 amounted to NIS 2,391 million.

In accordance with amendments to the permit from time to time, and in accordance with reports by FIBI:

Since 2015 Mr. Zadik Bino and his children, Messrs. Gil Bino, Hadar Bino Shmueli and Daphna Bino Or hold in equal parts the means of control in Binohon (each of them holding 25%).

On March 24, 2013, Instanz Holdings transferred to Instanz Number 2 Ltd. (hereinafter - "Instanz 2"), all the holdings of Instanz Holdings in FIBI. Instanz 2 is wholly owned (through Australian entities) by Messrs. Helen and Michael Abeles, who also fully control Instanz Holdings (through the same Australian entities). Upon the transfer of the shares, Instanz 2 joined as a party the shareholder agreement between Instanz Holdings, Binohon and Dolphin Energies, as amended from time to time, and Instanz Holdings continues as a party to the shareholder agreement and is a guarantor for the obligations of Instanz 2.

According to FIBI's report, as of the date of the financial statements, the holdings of the controlling shareholders in FIBI (in the equity and voting rights) are as follows: Binohon Ltd.- 28.54%, Instanz 2 Ltd.- 11.68% and Dolphin Energies Ltd.- 11.68% of the equity of FIBI (the holdings of all the controlling shareholders in FIBI comprise the core control therein, in accordance with the control permit granted by Bank of Israel).

FIBI holds 48.34% of the equity and voting rights in the Bank (a rate comprising the core control, in accordance with the Bank of Israel permit).

On February 3, 2026, the Bank received an invitation from FIBI to conduct negotiations to enter into a tax-exempt merger transaction between FIBI and the Bank by way of an exchange of shares, so that at the end of it FIBI will cease to exist and all of its assets and liabilities will be transferred and acquired by the Bank (hereinafter - the "Merger Transaction").

Subsequently, on February 3, 2026, the Bank's Board of Directors decided to appoint an independent committee of the Board of Directors to review the invitation, which would be authorized, among other things, to negotiate with FIBI and make recommendations on whether to enter into a merger transaction with FIBI and in respect of its terms.

The aforementioned merger transaction, to the extent that it takes place, is subject to various conditions, including reaching agreements on the terms of the merger transaction and entering into the merger transaction between the Bank and FIBI; obtaining the approvals of the authorized bodies of the Bank and FIBI in accordance with the requirements of the law; and receiving all the required regulatory approvals, including:

1. Obtaining a revised control permit for the Bank from Bank of Israel for the existing controlling shareholders, while preserving core control of the Bank;
2. Receiving the Tax Authority's ruling that the merger transaction is tax-exempt:
3. Obtaining permits as required from the Securities Authority and the Tel Aviv Stock Exchange.

There is no certainty regarding the entry into negotiations, the reaching of agreements for the Bank and FIBI entering into a merger transaction, its terms, the fulfillment of the conditions for its completion (including the receipt of the approvals required by law) or the date of its completion, if and to the extent that the Bank and FIBI actually enter into the aforementioned transaction.

F. (1) Employment terms of the CEO of the Bank:

The Bank's CEO, Mr. Eli Cohen, began his duties as the Bank's CEO on November 30, 2023. The terms of employment for the CEO were approved on January 3, 2024, at the Bank's general meeting of shareholders, after approval by the Compensation Committee and the Board of Directors, effective from the date of his assumption of the position of CEO of the Bank (hereinafter referred to as the "Effective Date"). On March 4, 2025, updates to the CEO's terms of employment were approved by the Bank's general meeting of shareholders, after approval by the Compensation Committee and the Board of Directors (hereinafter referred to as the "Terms of Employment").

In accordance with the terms of employment of the CEO of the Bank, the cost of the annual compensation, within its meaning in the Compensation for Officers in Financial Corporations Act (Special approval and non-deductibility taxwise of exceptional compensation), 2016 (hereinafter referred to as the "Compensation Act"), (i.e., excluding payments and provisions for pension payments and severance pay by law, as specified in the terms of employment), including if an annual award is granted up to the annual award ceiling, will not exceed the ceiling under Section (2b) of the Compensation Act.

The CEO's salary is linked to the consumer price index (CPI) in accordance with the Compensation Act and subject to the ceilings thereunder. In the event of a decrease in the CPI, the salary will not change until the CPI increases, offsetting the decrease in the CPI. The CEO is entitled to social contributions, to managers' insurance or a provident fund and/or a pension fund, to a further education fund, to convalescence allowances and reimbursement of expenses related to the performance of his duties, and annual leave and sick leave in accordance with the terms of employment. The CEO is entitled to a Bank vehicle and its maintenance expenses. The CEO has the right to request changes and adjustments to the terms and conditions of employment, subject to corresponding changes and adjustments to other related terms, except for the provisions regarding the pension arrangement and the mere provision of a vehicle by the bank, all subject to any law and to the fact that no change in the CEO's remuneration as defined in the Compensation Act will occur as a result (i.e., not including payments and provisions for pension payments and statutory severance pay).

In accordance with the terms of employment, the Bank or the CEO shall be entitled to notify, at any time during the employment period, the other party of the termination of the employment, on a date that will be at least three months after the date of delivery of the notice (hereinafter "the prior notice period"). During the prior notice period, the CEO shall continue to perform his duties fully and properly, unless the Bank decides to forego his actual work during the prior notice period, in whole or in part, continuously or intermittently. During the prior notice period, to the extent that the CEO worked during it, the CEO shall be entitled to the monthly salary and the related conditions in accordance with the terms of employment. If the Bank decides not to employ the CEO during the notice period, the CEO will be paid the salary and related benefits during the notice period to which he would have been entitled if he had continued to serve as CEO of the Bank until the end of the prior notice period.

The terms of employment defined a three-month no-competition period at full monthly salaries, including the value of the social contributions that he would have received during that period if an employee-employer relationship had existed in accordance with the terms of employment.

The Compensation Committee and the Board of Directors were entitled to grant the CEO an annual award for the year 2024, in an amount not exceeding 3 monthly salaries, if they find that there are reasons justifying this. For the year 2025 and beyond, the Compensation Committee and the Board of Directors are entitled to grant the CEO an annual bonus of up to 5 monthly salaries, which will be determined in accordance with the following components and subject to the ceiling under Section (2) (b) of the Compensation Act: (a) A measurable component of up to NIS 455 thousand (linked to the rise in the CPI published in December 2025) that will be determined based on the Bank's

attaining return on equity and efficiency in accordance with the targets set for that year for the Bank's officers, according to the compensation policy for officers of the Bank; (b) A qualitative component of up to NIS 685 thousand (linked to the rise in the CPI published in December 2025), if they find that there are reasons justifying this, even if the threshold conditions for paying an annual award to the officers are not met. The annual award will not constitute part of the CEO's monthly salary and the components will not be taken into account for the purposes of calculating severance pay, provident fund contributions, social or other provisions, and any other benefit or payment of any kind. Beginning with the annual award for the year 2024 onwards, the CEO will be entitled to convert the annual award determined for him, in whole or in part, into equity remuneration in the form of options exercisable into ordinary shares (hereinafter -"Options"), the fair value of which will be equal to the cost to the Bank of the part of the annual award that was cancelled, subject to and in accordance with the conditions determined by the General Meeting on March 4, 2025, with no need for additional approval by the General Meeting of the Bank. The options will be allocated according to the provisions of the capital gains track through a trustee under Section 102 of the Income Tax Ordinance.

For additional details regarding the compensation policy for officers, the main terms of the options in accordance with the compensation policy, including allocation of options to the CEO and other officers, dated March 25, 2025, see Section G hereunder.

For the period of his employment, starting from January 1, 2022, the CEO will be entitled to funds and rights that will accrue to him in the pension arrangement for provisions for severance pay during the aforementioned period, and Section 14 of the Severance Pay Act will apply. For the period of his employment until January 1, 2022, the CEO is entitled to severance pay by law and severance pay based on the monthly salary, as it will be at the date of termination of the employee-employer relationship or to the funds and rights that will accrue to him in the pension arrangement for provisions for severance pay during the aforementioned period, whichever is higher. However, to the extent that the CEO's term of office ends, due to his resignation, within a period of three years from the commencement date, the CEO will be entitled to severance pay for the period of employment until January 1, 2022, based on his last monthly salary on the eve of his appointment as CEO of the Bank or to the funds and rights that will accrue to him in the pension arrangement for provisions for severance pay for the period of employment until January 1, 2022, whichever is higher, unless otherwise determined by the Board of Directors and subject to any law.

In the event that the expense due to the salary cost that the Bank will bear in connection with the CEO, in respect of the tax year, exceeds the "ceiling for payment" as defined in Section 4 of the Compensation Act, part of the remuneration to be paid will not be recognized by the Bank as an expense for tax purposes, in accordance with the provisions of Section 4 of the Compensation Act.

(2) Terms of engagement of the Chairman of the Board of the Bank:

Mr. Ron Levkovich was appointed for the first time as Director and Chairman of the Board of Directors of the Bank on September 15, 2020. His appointment as Director, approved also by the General Meeting of Shareholders of the Bank held on November 5, 2020, was for a period of up to three years from date of approval by the Meeting. On November 1, 2023, the General Meeting of Shareholders approved his appointment as Director for an additional period of up to three years as from November 5, 2023. Updates of his terms of office were also approved on November 1, 2024 and March 4, 2025. The terms of office of the Chairman of the Board are for an unspecified period, and each party to the agreement may terminate it by a prior notice in writing of three months.

In accordance with the approval by the General Meeting held on March 4, 2025, regarding the updating of the monthly remuneration of the Chairman of the Board, the annual remuneration of the Chairman of the Board, within the meaning of the Compensation Act (i.e. excluding payments and allowances for severance pay and pension in accordance with statutory provisions) shall not exceed the ceiling stated in in Section 2(b) of the Compensation Act.

The Chairman of the Board is entitled to social contributions to management insurance or a provident fund, further education fund, convalescence pay, refund of expenses related to the performance of his duties, annual vacation and sick leave in accordance with his terms of engagement. The Chairman of the Board is also entitled to a company

car and to its maintenance expenses. The Chairman of the Board has the right to apply for changes in his monthly remuneration and/or in the related benefits, subject to corresponding changes and adjustments, and subject to any law and to the ceiling stated in Section 2 of the Compensation Act.

For the period of his engagement, the Chairman of the Board of Directors will be entitled to severance pay according to the Severance Pay Act, 1963 and its regulations, based on the monthly remuneration, as it will be at the date of termination of the employee-employer relationship or to the funds and rights that will accrue to him in the pension arrangement for the allowances for severance pay during the period of his engagement, according to the higher of the two.

The terms of employment of the Chairman of the Board of Directors defined a no-competition period of three months at full remuneration (without related benefits except for the vehicle and maintenance expenses).

In accordance with the approval of the General Meeting of November 1, 2023, the payment for the no-competition period would be in accordance with the monthly remuneration applying immediately following the approval by the said General Meeting, and not according to the monthly remuneration payable at the termination of his office (namely, it will not include updates of the monthly remuneration due to changes in the CPI following the date of the said General Meeting, as well as the update approved by the General Meeting held on March 4, 2025). The Board of Directors has the right to waive the period of no-competition or a part thereof, and in such a case, the Chairman of the Board would not be entitled to the remuneration as stated above.

To the extent that the expense regarding the payroll cost of the Chairman of the Board, which is borne by the Bank in the tax year, exceeds the "maximum amount payable" as defined in Section 4 of the Compensation Act, a part of the compensation payable to the Chairman of the Board would not be recognized for the Bank as a deductible expense tax wise, as stated in Section 4 of the Compensation Act.

G. Compensation Policy for Officers at the Bank

On March 4, 2026, the Bank's General Meeting approved a compensation policy for officers at the Bank, for a period of three years (hereinafter – the "2026 Compensation Policy") which replaced the compensation policy for officers approved by the General Meeting on March 4, 2025 (hereinafter – the "Previous Compensation Policy"). For details regarding the compensation policy for officers approved by the General Meeting on March 4, 2025, see Note 33.G to the Bank's financial statements for 2024. The 2026 Compensation Policy includes changes to the structure of the annual award for officers, according to which the Bank will be entitled to grant to officers subordinate to the CEO (a) an annual award based on measurable criteria ("measurable component") in a total amount of up to NIS 675 thousand per officer, subject to threshold conditions and the scope of which is determined based on the rate of return on equity and efficiency ratio, and in part also based on attaining qualitative and quantitative KPI scores; and (b) a high-quality personal annual award, not to exceed NIS 450 thousand per officer, the amount of which will be determined based on various considerations, including considerations of compliance with laws, regulations and regulatory directives and contribution to the organization. The compensation policy for officers also includes the option of a special award whose budget is limited in scope, even if the Bank did not meet the threshold conditions. In addition, it was determined that the total of all discretionary awards granted in respect of a year of award to a single officer will not exceed the limit set in Directive 301A regarding the total variable component that can be given at discretion (as of this date - 3 monthly salaries of the officer). All of the above amounts in relation to the annual award are linked to the increase in the CPI published in December 2025.

The 2026 Compensation Policy, includes a mechanism for converting an annual award into equity compensation, according to which the Bank will be entitled to decide that the annual award (including the annual award for the year 2025), in whole or in part, will be converted into equity compensation, on condition that the portion of the cash award amount out of the annual award shall not exceed NIS 750 thousand (linked to the rise in the CPI published in December 2025).

The 2026 Compensation Policy also set provisions regarding the manner of implementing the instructions that would apply in relation to the annual award of 2025, when the qualitative component will be subject to the provisions of the 2026 Compensation Policy as stated above, when the total variable compensation determined for a single officer will be subject to the conversion coefficient determined in the previous compensation policy, but the Bank will not be obligated to grant it

in full by way of equity compensation, but rather by way of a cash award and/or equity compensation in accordance with the provisions of the 2026 Compensation Policy as stated above.

The following are the main terms of the capital compensation that may be granted under the 2026 Compensation Policy: the Bank will be entitled to grant the capital compensation in accordance with the provisions of Section 102 of the Income Tax Ordinance in the capital gains tax track or in accordance with the optimal tax track for the officers as determined from time to time, and in accordance with the blocking provisions set forth in the Income Tax Ordinance. The fair value of the said capital compensation, at the date of approval of the award by the Board of Directors or the Compensation Committee, as the case may be, for the vesting year (in linear distribution), will not exceed the value of the total reduction in the annual award. Unless otherwise determined by the Compensation Committee and the Board of Directors, the date of approval of the allocation of the equity compensation will be 15 days from the date of publication of the Bank's annual financial statements for the year of the award or 15 days from the date on which there is no inside information in the Bank, whichever is later. The equity compensation will generally vest over a period of no less than one year (including proportional vesting over the period in the event of termination of the employment at the Bank's initiative or due to retirement). The vesting conditions may include provisions regarding the acceleration of vesting periods in the event of death/disability/medical reasons or a change in control of the Bank as a result of which trading in the shares will cease. In addition, in the event of a change in control of the Bank as a result of which trading in the Bank's shares will not cease - acceleration of the upcoming portion of the equity compensation that has not yet vested (only) will be permitted. The equity compensation will be subject, to the extent relevant, to customary adjustments, including adjustments for dividends, bonus shares, changes in capital (consolidation, split, etc.), rights issuance, structural changes of the Bank (such as: split, merger, etc.), etc.

In the event of granting options that can be exercised for the Bank's shares - the exercise period will be up to 6 years from the date of allocation and the exercise price of each option will not be less than the higher of: (1) the average closing price of the bank's share on the Stock Exchange on the 30 trading days preceding the date of approval of the allocation by the Board of Directors (or the Compensation Committee); or (2) the closing price of the Bank's share on the Stock Exchange on the last trading day preceding the date of approval of the allocation by the Board of Directors (or the Compensation Committee).

Insofar as the equity compensation is of the type which is settled in cash, the maximum value of the compensation that will actually be paid on the exercise date will be up to twice the share price on the date the equity compensation is granted. In the case of equity compensation that is not settled in cash, the Bank will consider setting a ceiling for the exercise date on the date the decision is made to grant the equity compensation.

On March 25, 2025, the Bank's Board of Directors approved the allocation of 44,723 options (exercisable for 44,723 ordinary shares of the Bank) to the CEO and nine other officers of the Bank, of which 3,503 options were to the CEO. As of the date of approval of the allocation by the Board of Directors, the total fair value of the options allocated to the officers of the Bank was NIS 1,915 thousand - the fair value of the options allocated to the CEO was NIS 150 thousand and the total fair value of the options allocated to the other officers was NIS 1,765 thousand. As of the date of publication of the financial statements, and following the expiration of options that have not yet been vested, the current number of options stands at 32,815 options. Assuming the theoretical exercise of all options allocated to officers, including the CEO, and not yet expired, the exercise shares will amount to approximately 0.033% of the Bank's issued and paid-up capital and voting rights (this calculation is theoretical only, since a ceiling price was set for the date of exercise of the options and the allocation includes a "net exercise" mechanism). The exercise price of each option on the date the Board of Directors approved the allocation was NIS 190.5, subject to adjustments, and the exercise period is three years from the vesting date of the options. The options were allocated according to a private offering report published by the Bank on April 1, 2025 and in accordance with the terms specified therein.

As part of the 2026 Compensation Policy, the ceiling for the total annual compensation for an officer subordinate to the CEO was updated so that it may exceed the ceiling pursuant to Section 2(a) of the Compensation Act and up to a ceiling of NIS 3.1 million (linked to the rise in the CPI published in December 2025). Subject to the provisions of the compensation policy, the said ceiling does not include payment and provisions for payment of pension and severance compensation in accordance with the law.

NOTE 34 - EFFECT OF THE "SWORDS OF IRON" WAR, OPERATION "RISING LION" AND OPERATION "ROARING LION"

On October 7, 2023 broke "Swords of Iron" war and in October 2025 an agreement was signed for the return of the hostages and the discontinuation of the war. On June 13, 2025, Operation "Rising Lion" began, lasting 12 days. On February 28, 2026, Operation "Roaring Lion" began. The security situation has a potential for negative implications upon the Israeli economy and upon the Bank and its customers.

In the course of 2024, the international rating agencies Moody's, S&P and Fitch, downgraded the credit rating of the State of Israel.

Fitch downgraded the credit rating of the State of Israel from A+ to A with a negative outlook.

Moody's downgraded the credit rating of the State of Israel by two notches, from A2 to Baa1. The agency also left the rating with a negative outlook.

S&P downgraded the credit rating of Israel from A+ to A with the outlook rating remaining negative.

During 2025, S&P, Moody's and Fitch ratified the credit rating of the State of Israel, as stated above, and also Fitch left the rating outlook as negative. In November 2025, S&P updated the rating outlook of the State of Israel from negative to stable, and in January 2026, Moody's updated the rating outlook of the State of Israel from negative to stable.

With the aim of providing assistance to bank customers in coping with the implications of the war, the Supervisor of Banks published at the beginning of the war, an assistance outline for bank customers for coping with the implications of the war, for a period of three months, which has been expanded and extended several times in the course of the war, and the last extension, which included certain changes, was published on December 3, 2024, which remained in effect until March 31, 2025.

On March 30, 2025, Bank of Israel announced the formulation and entry into force of a voluntary financial relief plan for banking system customers (hereinafter - "the plan"), against the backdrop of the system's high profitability in recent years, and the effects of the " Swords of Iron " war on households and small and minute businesses.

The plan, includes benefits in an aggregate amount of NIS 3 billion, for the banking system as a whole, consisting of NIS 1.5 billion each year, starting from the second quarter of 2025, until the first quarter of 2027, which would be used for the purpose of providing a variety of financial relief and refunds to households and small and minute businesses. The financial scope of the benefits and concessions by each bank in the first year of the outline is derived from its relative size in profitability for the years 2023-2024. The outline period may be updated in certain cases.

The outline includes four main baskets of financial relief that will be provided by the banks to their customers, while giving each bank discretion to act in accordance with its business focus and customer mix: providing interest or benefits in the area of current account credit balances and a proven improvement in the interest paid on short-term deposits; reducing interest rates on debit balances ("overdraft"); providing exemption from fees or a significant discount for distinct population groups; providing exemption, partial or full, for a fixed period from the payment of monthly repayments or reducing the interest rate charged on existing credit, for the duration of the outline period.

In accordance with the outline, each bank is required to publish on its website the details of the financial relief granted by it and the relevant customer group, and in its financial statements the scope and mix of benefits actually provided.

In its announcement, Bank of Israel stated that in its opinion the outline is more suitable for the needs of banking system customers than specific taxation processes and various legislative processes.

As part of the outline, the Bank elected to grant during 2025 a variety of benefits and reliefs, in accordance with the established criteria, both to private customers and small businesses and to various population groups, such as regular army and reserve personnel, soldiers on mandatory service, evacuees from the South and the North, participants in the festivals in the South, first-degree relatives of war casualties or abductees, IDF disabled persons, and more. Most of the benefits and reliefs were granted automatically, without the need for a proactive application from the customer.

The share of the Bank Group in the benefits within the framework of the outline amounts to NIS 254 million for the period of two years.
The said benefits would be recognized in the statement of profit and loss as incurred in the course of a period of two years, starting with the second quarter of 2025. During 2025, an amount of NIS 89 million was recognized in profit and loss.

Hereunder are details of the main benefits and concessions granted by the Bank as from the second quarter of 2025 and until the end of 2025:

- Interest benefit on credit balances in a current account and on short-term deposits.
- Interest benefit on approved debit balances in a current account,
- Benefits on commissions and the granting of awards.
- Benefits regarding monthly repayments and payments of interest on loans and mortgages.

During the first quarter of 2026, the benefits and concessions granted as part of the outline were updated.
The Bank will review from time to time, at its discretion, the continuation of granting the various benefits and reliefs within the framework of the outline.

Operation "Rising Lion"

Following Operation "Rising Lion", which began on June 13, 2025, Bank of Israel published on June 17, 2025, an assistance outline that was adopted by the banks. The outline is added to the outlines stated above, and was intended to assist populations directly affected by the damage of the fighting, which included injured households or those whose houses were damaged by missiles and were compelled to evacuate them, as well as small and minute business owners whose businesses were affected.
The outline presents the minimum terms for the deferral of loans and each bank is entitled to expand it in favor of its customers and at their request. The outline took effect on July 1, 2025, and remained in effect until July 31, 2025. It was possible to apply to join the outline until July 31, 2025.
The populations and benefits included in the published outline:

- Households whose homes were damaged and they are evacuees or households injured by the Operation – Deferral of mortgage repayment in unlimited amounts for a period of three months, free of interest and commissions; deferral of repayment of consumer loans in a cumulative amount of up to NIS 100,000, for a period of three months, free of interest and commissions.
- Minute and small businesses (with a turnover of up to NIS 25 million), which were physically or monetarily injured as a result of the Operation – a two months deferral for the repayment of loans in a cumulative amount of up to NIS 2 million per business, free of interest and commissions; in addition, with respect to businesses of reservists on active service, automatic exemption was granted for a period of two months from charging interest on a debt balance of up to NIS 30,000 in the business account; businesses that did not meet the defined criteria ("second circle") could defer loan repayments in an aggregate amount of up to NIS 2 million to the business for a period of two months and at the agreed interest rate.

The outline as published by Bank of Israel was implemented by the Bank.

Operation "Roaring Lion"

On February 28, 2026, the United States and Israel launched a joint attack on Iran. Iran responded by launching missiles at Israel and other countries in the region. The campaign was also expanded to Lebanon, following firing at Israel by Hezbollah. With the start of the Operation, there was a change in the Home Front Command's defense policy, as part of which it was decided to move all regions of the country from a full activity level to a necessary activity level, which includes a ban on educational activities, gatherings, and going to workplaces, with the exception of essential economic activities. In addition, additional reservists were mobilized for the needs of the Operation.

At this stage, it is not possible to estimate the impact of the Operation on the Bank's financial position, its operating results and its cash flows, if at all. The Bank continues to monitor the various developments in order to examine the manner in which the Operation affects its operations.

Following Operation "Roaring Lion", Bank of Israel published an aid outline on March 2, 2026, which was adopted by the banks. The outline joins the outlines detailed above, and is intended to assist populations that were directly affected by the damage caused by the fighting, including households whose homes were damaged and are being evacuated and households that were physically damaged by the Operation, small and minute businesses that were physically or financially damaged as a result of the Operation, and businesses owned by reservists. The outline presents the minimum conditions and each bank may expand it for the benefit of its customers and at their request. The outline will be in effect from March 16, 2026, until April 16, 2026, and may be expanded or extended as needed. A customer may submit a request to be included in the outline until April 16, 2026. A bank that wishes to advance the date the outline enters into force or the date the application is submitted will be entitled to do so.

Below is a breakdown of the populations and benefits included in the outline:

- Households whose homes have been damaged and are being evacuated and households that have been physically damaged - postponement of mortgage payments, without a limit on the amount, for a period of 3 months, without being charged interest or fees; postponement of consumer loan repayments in an aggregate amount of up to NIS 100,000 for a period of 3 months, without being charged interest or fees.
- Small and minute businesses that have been physically or financially damaged (with an operating turnover of up to NIS 25 million) - a two-month deferral of loan repayments in an aggregate amount of up to NIS 2 million for a business that requests it, without interest or fees; in addition, for businesses owned by reservists an exemption would be granted automatically for a period of two months from an interest charge on a debit balance of up to NIS 30,000 in the business account. Businesses which do not meet the defines criteria ("second circle") may defer loan repayments in a cumulative amount of up to NIS 2 million per business for a period of two months at an agreed interest rate.

The Bank implemented the outline, as published by Bank of Israel, and in addition grants an additional line of benefits and support to customers.

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

As of date of the Report, the Bank is unable to estimate the scope of the anticipated impact on its results in the medium and long terms. The Bank is monitoring the situation and makes modifications to operations and to risk management in accordance with developments.

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CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Mr. Ron Levkovich, Chairman of the Board

Mr. Zadik Bino

Mrs. Pnina Bitterman-Cohen

Mr. Gil Bino

Mr. Ilan Batzri

Mrs. Orna Dov

Dr. Ronen Harel

Mr. Ronnie Hezkyahu

Mr. Zvi Levron

Mrs. Ronnie Michael

For further details on the members of the Board of Directors of the Bank, see Article 26 "Board of Directors of the Bank" in the Bank's periodic report for 2025, which is published on the Securities Authority's magna site.

REPORTING ON DIRECTORS WITH ACCOUNTING AND FINANCIAL EXPERTISE

Pursuant to the Companies Law, 1999, at least one of the External directors must have accounting and financial expertise, and the others should be professionally competent or have accounting and financial expertise (as these terms are defined in the law). In addition, under Bank of Israel directives, at least fifth of all the members of the Board of Directors and at least two members of the Audit Committee must have accounting and financial expertise.

In practice, all directors currently serving on the Board of Directors (including two directors from the public) have accounting and financial expertise.

Set out below are details of the present members of the Bank's Board of Directors having accounting and financial expertise, with mention of their membership of the Audit Committee and a description of their professional background and/or education in accordance with which they are to be regarded as having accounting and financial expertise:

1. **Mr. Ron Levkovich**, Chairman of the Board, Bachelor of Economics (expanded) from the Tel Aviv University and graduate of the Advanced Management Program of the Harvard University Business School. Owner and director of family investment companies. Serves as director of Nimbio Company Ltd. and as member of the Advisory Committee of Rambam Hospital Medatech. Founded and served as joint CEO of Epsilon Investment House.
2. **Mr. Zadik Bino**, served as Chairman of the Board of Directors and as CEO of the First International Bank of Israel Ltd. and as CEO of Bank Leumi Le-Israel B.M. Served as Chairman of the Board of Directors of FIBI Holdings Ltd., parent company of the First International Bank of Israel Ltd. Serves as Director of: BINO Holdings Ltd.; GHD Investments (2006) Ltd.; Bigro Commodities Ltd.; Binohon Ltd; DADA Management Ltd.
3. **Mrs. Pnina Bitternam-Cohen**, (External Director under the Companies Act, 1999 and External Director under Proper Conduct of Banking Business Directive No.301 of the Supervisor of Banks, Chairperson of the Audit Committee). Attorney-at-Law, Bachelor of Law from the Tel Aviv University, advanced legal study courses at Tel Aviv and Bar Ilan Universities, including analysis of financial statements and risk management. Served for nine years in the past as External Director at the First International Bank of Israel Ltd. Served as Legal Counsel of the Polar group of companies, including accompanying all the business activity of the Group. Conduct of negotiations with banks and complex negotiations regarding the acquisition and sale of companies, the raising of capital in Israel and abroad and submission of tenders for projects in the communication field. Served for thirty years as director on boards of public and private companies engaged in industry, real estate, communication, infrastructure as well as finance, trading and services.
4. **Mr. Gil Bino**. Attorney-at-Law, Bachelor of Law and Business Administration Master of Business Administration (EMBA). Served as Chairman of FIBI Holdings Ltd., the parent company of First International Bank Israel Ltd.; CEO of Bino Holdings Ltd.; of GHD Investments (2006) Ltd.; Director at FIBI Holdings Ltd.; BINO Holdings Ltd.; Binohon Ltd; GHD Investments (2006) Ltd.; DADA Management Ltd. And at Alden Hotel AG.
5. **Mr. Ilan Batzri**, (External Director under Proper Conduct of Banking Business Directive No. 301 of the Supervisor of Banks; member of the Audit Committee); CPA, Bachelor of Economic and Accounting and Master of Business Management from the Hebrew University in Jerusalem. Served as external director in Acro Group Ltd. and S. Shlomo Insurance Company Ltd.; Served as Chairman of the Board in Massad Bank and FIBI England PLC and as Director of companies in the First International Bank Group. Served as deputy CEO, member of Management at The First International Bank of Israel Ltd. and Head of the Corporate Division and Head of the Financial Management Division in the First International Bank of Israel Ltd.
6. **Mrs. Orna Dov,** (External Director under Proper Conduct of Banking Business Directive No. 301 of the Supervisor of Banks), Bachelor degree in Accounting and Economics and Master Degree in Information Systems from the Tel Aviv University. Serves as Chairperson of the Board of Directors of Vicarius Ltd. Member of advisory committees to the Boards of Directors of CyberWall Ltd. and Bigbi A. Ltd. Served as External Director of Radview Software Ltd. Served as consultant to Matrix Ltd. and Open Legacy Ltd. Founded and served as CEO of Intelinks Ltd. Served also as GM, CFRM at Bottomline Technologies (EPAY) Ltd.

7. **Dr. Ronen Harel** (External Director under the Companies Act, 1999 and External Director under Proper Conduct of Banking Business Directive No.301 of the Supervisor of Banks and member of the Audit Committee). Bachelor of Economics and Master of Business Administration specializing in finance from Tel-Aviv university. Ph.D. in Management Science specializing in entrepreneurship and innovation from Ben-Gurion University in the Negev. Graduate of the International Management Program of NYU Business School. Senior Lecturer on business management in the innovation, entrepreneurship, strategy, business development and finance fields, at: Peres Academic Center, Tel Aviv University, Academic College Tel Aviv-Yaffo, Ben Gurion University in the Negev. Serves as External Director of: One Software Technologies Ltd. (until 5.2.2026). Serves as director in TLI- the company of royalties of the cinema and television creators in Israel Ltd. Served as Director in the companies: Ch. Mer Industries Ltd.; Kerur Holdings Ltd.; Tikkun Olam- Cannabit Pharmaceuticals Ltd., Atreyu Capital Markets Ltd., P.C.B. Technologies Ltd., UBank Ltd., E.G.R.E. Ltd. and as Chairman of the Board of Directors of Trans-Clal Trading Ltd.
8. **Mr. Ronnie Hezkyahu,** BCS of Industry and Management Engineering from Ben-Gurion University in the Negev, serves as Chairman of the Board in the companies: Negev Industrial Minerals Ltd. and Mediway- Management Systems Ltd.; Served as the Chairman of the Board of First International Bank of Israel Ltd. and as director of companies; Served as the Accountant General in the Finance Ministry and as the Supervisor of Banks; Served as Vice President and Head of the Corporate Division as Israel Discount Bank Ltd.
9. **Mr. Zvi Levron,** (member of the Audit Committee), Attorney-at-Law, Law graduate of the Tel Aviv University, LLM Degree in International Business Law from Queen Mary College at London University (specialized in private and international business taxation, international trade and international finance). Serves as Director of Zvi Levron & Co. Ltd. Served as Director of Guy Yarden Company Ltd. Has experience in legal assistance to commercial transactions, project financing and corporate finance.
10. **Mrs. Ronnie Michael**, (External Director under Proper Conduct of Banking Business Directive No.301 of the Supervisor of Banks; member of the Audit Committee); CPA, Bachelor of Economics and Accounting from the Hebrew University in Jerusalem. Was a partner at KPMG CPA's, engaged in auditing at PWC Kesselman and Kesselman CPA's and Yair Alon CPA's.

The Bank's Board of Directors held in 2025, 22 meetings in plenary session and 51 meetings of its various Board Committees.

RETIREMENTS AND APPOINTMENTS

Members of the Bank's Management

- On January 16, 2025 Mrs. Liora Shechter started to officiate as the President and CEO of the subsidiary company MATAF – Computing and Financial Operation Ltd. and member of Management of the Bank and in charge of the information technology in the Group.
- On January 28, 2025, the Board of Directors approved the appointment of Mrs. Shirely Shoham Klein, Head of the Advanced Banking Division, as VP and member of Management of the Bank.
- On October 26, 2025, Mr. Yinnon Shveka retired from his office as member of Management and Head of PAGI division and manager of the mortgages department.

The board of Directors and Management of the Bank thank Mr. Yinnon Shveka and wish. Mrs. Shechter and Mrs. Shoham Klein success in their office.

MEMBERS OF SENIOR MANAGEMENT

Mr. Eli Cohen	President and Chief Executive Officer
Mr. Yoram Sirkis	Executive Vice President, Head of Client Asset Management Division
Mr. Nachman Nitzan	Executive Vice President, CFO, Head of Chief Accountant Division
Mrs. Yael Ronen	Executive Vice President, Chief Internal Auditor
Mrs. Ella Golan	Executive Vice President, Head of Resources Division and financial management
Mrs. Liliya Kaplan	Executive Vice President, CRO and Head of the Risk Management Division
Mr. Ron Grissaro	Executive Vice President, Head of Banking Division
Mrs. Vered Golan	Executive Vice President, Head of Corporate Division
Mrs. Moriah Hoftman Doron	Executive Vice President, Head of Legal Consulting department
Mrs. Shirely Shoham Klein	Executive Vice President, Head of Advanced Banking department (since 28.1.2025)
Mrs. Liora Shechter	CEO of MATAF Computing and finance operation Ltd. (since 16.1.2025)
Mr. Yinnon Shveka	Executive Vice President, Head of PAGI department and Mortgage department (until 26.10.2025)

Corporate Secretary	Mr. Aviad Biller, Adv.
The Bank's independent auditors	KPMG Somekh Chaikin, Certified Public Accountants (ISR) (in office since 1972)

For further details on the senior manager members, see Article 26A "Senior Office Holders at the Bank" in the Bank's periodic report for 2025, which is published on the Securities Authority's magna site.

THE GROUP'S INTERNAL AUDITING

Details of the Chief Internal Auditor

Mrs. Yael Ronen CPA serves as Chief Internal Auditor of the Bank since May 2011, and serves as Internal Auditor at all the banking subsidiaries in the First International Group. At the non-banking subsidiaries, the managers from the Internal Audit department were appointed as the internal auditors.

The Chief Internal Auditor has a bachelors in economics and psychology and in the accounting track for graduates at the University of Tel Aviv and master's degree in law in the academic track of the College of Management. In her previous positions, she managed the Sarbanes Oxley Department of Clal Insurance Ltd., and was manager of the Information Systems Risk Management Department at the KPMG Somekh Chaikin accountants office, with an emphasis on auditing and consulting in the area of banking.

The Chief Internal Auditor is an employee of the Bank and conforms to the conditions prescribed in Paragraph 3(a) of the Internal Auditing Law. The Internal Auditor and her employees serve in auditing functions alone, without any conflict of interests, and act in accordance with the Internal Auditor's Regulations as stated in Paragraph 146 (b) of the Companies Law, the provisions of Paragraph 8 of the Internal Auditing Law, 1992 and Proper Conduct of Banking Business Regulation 307.

Manner of appointment and organizational subordination

The appointment of the Internal Auditor was approved by the Audit Committee on March 15, 2011 and by the Board of Directors on March 22, 2011.

The Internal Auditor's superior in the organization is the Chairman of the Board of Directors.

The Internal Audit work program

The Internal Auditing Department operates on the basis of a 4-5 years multi-year work program and an annual work program derived from it, which covers all of the Bank's activities and the entities operating within it, including the subsidiaries in Israel. The work program is based on a systematic risk assessment methodology and takes into account inter alia the assessment of risks expressed in the ICAAP document and the Internal Audit's assessments concerning the risk centers in the Bank's activity, including focal points of operational, embezzlement and fraud risks, and the findings arising from previous audits which the Internal Audit and external entities had conducted. The work program includes the allocation of inputs and the frequency at which audits are to be conducted in accordance with the level of risk of the audited entity/activity.

The work program is submitted for discussion by the Audit Committee which recommends its approval to the Board of Directors, and which is then approved by the Board.

Under the work program, the Chief Internal Auditor is permitted at her discretion to deviate from the program and to conduct unplanned audits. Material changes from the approved work program are submitted for discussion and approval by the Audit Committee.

Positions

As stated, the Chief Internal Auditor is an employee of the Bank and is employed in a full-time position. The number of employees in the Internal Auditing Department of the Bank and its subsidiaries averaged 42 posts in 2025.

The number of employee posts is derived from the multi-year work program and includes outsourcing.

Conduct of the audit

Audit work is carried out on the basis of legal requirements, including the Internal Audit Law, the Banking Order, the Banking Regulations, the directives and guidelines of the Supervisor of Banks, including Proper Conduct of Banking Business Regulation 307 and the directives of other supervisory bodies.

Proper Conduct of Banking Business Regulation 307 governs the matter of the internal audit function at the banking corporation in accordance with the Basel working framework, with the aim of enhancing corporate governance principles.

The regulation covers inter alia the positions involved in the function, the extent of its activity, its working methods and the reports which it is required to send.
The Internal Audit operates in accordance with accepted professional standards determined by the international Institute of Internal Auditors.

Access to information

As required in Paragraph 9 of the Internal Auditing Law, the Internal Auditor is given full access to all the information which she requires, including constant and unimpeded access to the information systems of the Bank, including financial data. It should be noted that such full access is given when auditing the subsidiaries.

Reporting by the Chief Internal Auditor

The Internal Audit reports, including periodic reports, are submitted in writing.
The Internal Audit reports are submitted to the members of Management in charge of the units/matters audited, and in accordance with criteria specified in the Board of Directors' procedures, to the CEO of the Bank and to the Chairman of the Board. Significant audit reports, as relevant, are discussed at meetings with the CEO of the Bank.
In consultation with the Chief Internal Auditor, the Chairman of the Audit Committee determines which audit reports will be presented in their entirety for discussion at the Audit Committee. In addition, a monthly report compiled by the Internal Audit, which contains executive summaries of all the audit reports that were circulated in the past month, is submitted to the members of the Audit Committee, who are entitled to peruse any audit report which they see fit and ask the Chairman to present it in its entirety at the Audit Committee. Also, significant audit reports are presented for discussion in the Board of Directors and/or the Risk Management Committee after consultation with the Chairman of the Board or the committee, according to the relevance.
The Internal Audit's periodic reports include a monthly report, a half-yearly report and an annual report.
The Internal Audit's half-yearly report and annual report include reporting concerning the performance of the work program versus the plan, a list of all the audit reports that were circulated in the period reported, a report on the findings from the monitoring of remedial action with respect to deficiencies arising from the audit reports, a summary of the material findings emerging from the audit reports, and the annual report appraising the effectiveness of the Internal Control. The Internal Audit's report for 2024 was discussed by the Bank's Audit Committee on April 1, 2025. The Internal Audit's report for the first half of 2025 was discussed by the Bank's Audit Committee on September 9, 2025. The Internal Audit's report for 2025 will be discussed during April 2026.
The Board of Directors are sent copies of the Audit Committee's minutes, in order to notify those Board members who are not members of the Audit Committee of the content of the Committee's discussions.
In cases of particularly serious findings, an immediate report is sent to the CEO, to the Chairman of the Audit Committee and to the Chairman of the Board of Directors.

The Board of Directors' appraisal of the Chief Internal Auditor's activity

In the opinion of the Board of Directors and the Audit Committee, the scale, the nature and the continuity of the Internal Auditor's activity and work program are reasonable in the circumstances of the matter, and are adequate for the purpose of achieving the objectives of the internal audit function at the Bank.

Remuneration

Set out below are details of the payments to the Chief Internal Auditor and the components of these payments (in NIS thousand), in accordance with the details required in the table of the Bank's highest salary recipients:

	Year	
	2025	**2024**
Salary and bonuses	**1,731**	1,561
Benefit in respect of share-based remuneration	**116**	-
Severance pay, provident fund, advanced study fund, vacation, national insurance and additional benefits	**305**	317
Value of benefits	**82**	79
Total salary and related expenses	**2,234**	1,957

The compensation of the Chief Internal Auditor is commensurate with her position. In the estimation of the Board of Directors, nothing in the compensation of the Chief Internal Auditor can be regarded as leading to bias in her professional discretion.

DISCLOSURE OF THE PROCESS OF APPROVAL OF THE FINANCIAL STATEMENTS

The office-holders engaged in the preparation of the financial statements of the Bank are the CEO of the Bank, Mr. Eli Cohen, and the Chief Accountant, Nachman Nitzan CPA.

In accordance with the SOX 302 directives, a Disclosure Committee chaired by the CEO and with the participation of the Head of the Chief Accountant's Division, heads of divisions and department managers subordinate to the CEO and/or the Board of Directors, the Chief Disclosure Coordinator and the Bank's External Auditors meet every quarter. The Disclosure Committee discusses material matters that could have an effect on the data in the financial statements, and deficiencies that were discovered in the financial reporting control system, and monitors the rectification of those deficiencies.

Before the financial statements are presented to the plenum of the Board of Directors, initial discussions concerning them are held at the Bank's Management, at the Disclosure Committee and with the participation of the CEO, the Head of the Chief Accountant's Division and the Bank's External Auditor. Discussed at this forum are material issues that may arise in the preparation of the financial statements and the accounting policy that needs to be applied.

The Board of Directors has authorized the Audit Committee to act as the Committee for the Review of the Financial Statements, in accordance with the Companies Regulations (Terms and Conditions Concerning the Process of Approval of the Financial Statements), 2010. The Audit Committee is headed by an external director and most of its members are qualified as independent directors and all its members have declared themselves capable of perusing and comprehending financial statements.

In accordance with a resolution of the Board of Directors, at least two directors with accounting and financial expertise must serve on the Board of Directors and on the Audit Committee. Currently, all members of the Board of Directors and all members of the Audit Committee have accounting and financial expertise. The Audit Committee consists of five directors:

1. **Mrs. Pnina Bitterman-Cohen**, Chairperson of the Audit Committee. Serves as External Director under the Companies Act, 1999 (and as External Director under Proper Conduct of Banking Business Directive 301 of the Supervisor of Banks), and with qualification as an Independent Director. Has accounting and financial expertise and the ability to peruse and comprehend financial statements (and has signed on a declaration confirming this in accordance with the law), in view of the following: served for over thirty years as a senior officer of a public company, the securities of which are traded on the Tel Aviv Stock Exchange; served for over thirty years as director of companies engaged in diverse fields of activity including period of nine years as external director of the Bank in her former term; had participated in study courses on subjects of financial statements analysis and risk management.
2. **Mr. Ilan Batzri** a member of the Audit Committee. Serves as External Director in accordance with Proper Conduct of Banking Business Directive 301 of the Supervisor of Banks and is qualified as an Independent Director. Has accounting and financial expertise. Has the ability to peruse and comprehend financial statements (and has signed on a declaration confirming this in accordance with the law) in view of the following: CPA, Bachelor of Economic and Political Science and Master of Business Management from the Hebrew University in Jerusalem. Served as external director in Acro Group Ltd. and S. Shlomo Insurance Company Ltd.; Served as the Chairman of the Board of Massad Bank and FIBI Bank England PLC and as director in companies in the group of The First International Bank of Israel Ltd. and as Deputy CEO and Head of the Corporate Division and Head of the Financial and Risk Management Division and member of Management at The First International Bank of Israel Ltd.

3. **Dr. Ronen Harel**, a member of the Audit Committee. Serves as External Director in accordance with Companies Act-1999, and Proper Conduct of Banking Business Directive 301 of the Supervisor of Banks and is qualified as an Independent Director. Has accounting and financial expertise. Has the ability to peruse and comprehend financial statements (and has signed on a declaration confirming this in accordance with the law) in view of the following: Bachelor of Economics, Master of Business Administration specializing in finance from Tel-Aviv university. Ph.D. in Management Sciences specializing in entrepreneurship and innovation from Ben-Gurion University in the Negev. Served as External Director of Ubank Ltd. Serves as an External Director of: One Software Technologies Ltd. (until 5.2.2026) and as a director in TLI- the company of royalties of the cinema and television creators in Israel Ltd. Served as external director: Ch. Mer Industries Ltd.; Kerur Holdings Ltd.
4. **Mr. Zvi Levron**, a member of the Audit Committee, does not serve as External Director and is not classified as Independent Director. Has accounting and financial expertise. Serves as Director having the ability to peruse and comprehend financial statements (and has signed on a declaration confirming this), in view of the following: serves as director of companies.
5. **Mrs. Ronnie Michael**, a member of the Audit Committee, serves as External Director in accordance with Proper Conduct of Banking Business Directive 301 of the Supervisor of Banks and is qualified as an Independent Director. Has accounting and financial expertise. Has the ability to peruse and comprehend financial statements (and has signed on a declaration confirming this in accordance with the law) in view of the following: CPA, Bachelor of Economic and Accounting from the Hebrew University in Jerusalem. Was a partner at KPMG CPA's, engaged in auditing at PWC Kesselman and Kesselman CPA's and Yair Alon CPA's.

As in each quarter, the Board of Directors' Audit Committee at its meeting on February 25, 2026, discussed allowances for credit losses, in order to approve these allowances and the provisions for impairment in the nostro portfolio before the financial statements were submitted for approval by the Board of Directors. The discussion was attended by the members of the Audit Committee, the CEO, the Chief Accountant and the External Auditor of the Bank.

In addition, at its meeting on March 2, 2026, the Audit Committee discussed the findings of the Disclosure Committee in accordance with the provisions of SOX, and with the participation of the members of the Audit Committee, the CEO, the Chief Accountant and the External Auditor of the Bank.

The Board of Directors' Audit Committee held a detailed preliminary discussion of the draft financial statements. The discussion was held on March 2, 2026, and was attended by the members of the Audit Committee, the CEO, the Chief Accountant and the External Auditor of the Bank. Discussed at this meeting were material issues, to the extent encountered, in the preparation of the financial statements and the accounting policy that was applied. Following the Audit Committee's discussion, the financial statements, amended as requested by the Audit Committee, were sent to the Board of Directors with the Committee's recommendation that the members of the Board approve the financial statements, since it had compiled recommendations to the Board in all the matters required in the Securities Regulations and directives of the Supervisor of Banks.

The Audit Committee sends its recommendations regarding the approval of the financial statements to the Board of Directors within a reasonable time period prior to their discussion at the Board of Directors, and reports any deficiency or problem discovered in the course of its review, if any.

Within the framework of the process of approval of the financial statements by the Audit Committee and the Board of Directors, drafts of the financial statements and of the Board of Directors Report are submitted for perusal and comments by the Directors several days before the date of the meeting that is set for the discussion of the financial statements.

The Board of Directors is the ultimate control authority at the Bank.

The Board of Directors, at its meeting on March 9, 2026, discussed the approval of the financial statements of the Bank, with the participation of the members of Bank management, including the CEO, the Chief Accountant and the Bank's External Auditor. The aforementioned recommendations by the Audit Committee were submitted to the members of the Board of Directors on March 4, 2025, in due time before the plenary discussion. At the discussion by the plenum of the Board of Directors, the CEO presented the financial results of the Bank and a comparison with previous periods. At this stage, a discussion was held during which the Bank's office-holders answered the directors' questions on matters relating to the financial results and to the financial statements. At the end of the discussion, the Board of Directors resolved to adopt the aforementioned recommendations of the Audit Committee, to approve the Bank's financial statements and to authorize for the Chairman of the Board of Directors, the President and CEO and the Chief Accounting Officer to sign the financial statements.

AUDITORS' REMUNERATION (1)(2)(3)

(NIS thousands)

	Consolidated		The Bank	
	2025	**2024**	**2025**	**2024**
For audit work(4):				
Auditors of the Bank	**7,411**	7,219	**6,112**	5,932
Another auditor	**-**	-	**-**	-
Total	**7,411**	7,219	**6,112**	5,932
For additional Auditing related services:				
Auditors of the Bank	**-**	-	**-**	-
For tax services:				
Auditors of the Bank	**1,387**	1,188	**1,387**	1,188
Other services:				
Auditors of the Bank	**2,764**	1,791	**2,562**	1,681
Total	**4,151**	2,979	**3,949**	2,869
Total auditors' remuneration	**11,562**	10,198	**10,061**	8,801

(1) Report of the Directors to the Annual Meeting of shareholders on the remuneration of the auditors for audit work and for additional services, according to sections 165 and 167 of the Companies Law - 1999.
(2) The auditors' remuneration includes payments to partnership and companies under their control as well as payment under the Value Added Tax Law.
(3) Includes remuneration paid and accrued.
(4) Includes audit of annual financial statements, review of interim statements, audit of internal control over financial reporting.

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

REMUNERATION OF SENIOR OFFICERS

(NIS thousands)

							2025
Name	**Title**	**Position**	**Holdings ratio in the Bank's equity**	**Salary**	**Bonus**	**Benefit in respect of share based remuneration(7)**	**benefits(1)**
Ron Levkovich	Chairman of the Board of Directors	**100%**	**0.02%**	**2,985**	**-**	**-**	**128**
Eli Cohen	Chief Executive Officer	**100%**	**-**	**2,686**	**611**	**-**	**131**
Yoram Sirkis	Executive Vice President, Head of Client Assets Management Division	**100%**	**-**	**1,801**	**714**	**148**	**85**
Vered Golan	Executive Vice President, Head of the Corporate division	**100%**	**-**	**1,433**	**567**	**114**	**114**
Ella Golan	Executive Vice President, Head of Resources and financial management Division	**100%**	**-**	**1,569**	**516**	**140**	**85**
Ron Grisaro	Executive Vice President, Head of the Banking division	**100%**	**-**	**1,511**	**539**	**139**	**87**

							2024
Name	**Title**	**Position**	**Holdings ratio in the Bank's equity**	**Salary**	**Bonus**	**Benefit in respect of share based remuneration(7)**	**benefits(1)**
Ron Levkovich	Chairman of the Board of Directors	100%	0.02%	2,710	-	-	123
Eli Cohen	Chief Executive Officer	100%	-	2,432	621	-	129
Yoram Sirkis	Executive Vice President, Head of Client Assets Management Division	100%	-	1,742	692	-	82
Ron Grisaro	Executive Vice President, Head of the Banking division	100%	-	1,476	490	-	84
Vered Golan	Executive Vice President, Head of the Corporate division*	100%	-	874	295	-	67
Nachman Nitzan	Executive Vice President, CFO, Head of head of the chief accounting division	100%	-	1,373	461	-	89

* From July 1, 2024.

(1) Value of benefits (including: car benefit, cellular phone, health insurance, etc.).

(2) Actuarial loss (gain) in respect of changes in the discounting interest rate of the liabilities of the Bank for severance pay and post-retirement benefits.

(3) Not including VAT on salaries.

(4) Including loss (gain) in respect of updated actuarial calculations in respect of the liability of the Bank, for severance pay and other post-retirement benefits.

(5) Excluding deposits and provisions for provident funds and severance compensation (including loss of work ability) in accordance with the law, which are not included in the definition of "compensation" for the purpose of computing the amount of engagement in Section 2(a) of the Compensation of Officers of Financial Corporations Act (Special approval and the non-deductibility tax wise of an expense in respect of exceptional compensation), 2016".

(6) Loans and mortgages granted to senior executives at conditions similar to those that were granted to all Bank employees, the amounts of which were determined on the basis of uniform criteria.

(7) According to section 5.11 to the Compensation policy, as was approved by the General Meeting of Shareholders, dated March 4, 2026 (the Compensation policy 2026), part of the annual bonus to office holders subordinated to the CEO in respect of 2025, may be converted to capital remuneration. As of this date, capital remuneration has not been allocated to the office holders in respect of this part of the bonus in respect of 2025.

In this table included the expense recorded in the financial statements for 2025 in respect of:

A. Part of the capital remuneration mentioned above, according to the Bank's estimates and the anticipated conversion volume of the capital remuneration from the bonus of 2025.

B. An addition of 50% from part of the annual bonus in respect of 2024 of office holders subordinate to the CEO, which was converted to capital remuneration, and included in the capital remuneration allocated in 2025 and was recognized in the financial statements for 2025, in accordance to the previous Compensation policy approved on March 4, 2025 and was in effect during that time.

It should be noted, that according to the terms of employment of the CEO and the compensation policy for 2026, the CEO is entitized to convert the annual bonus, in part or in full, to capital remuneration in similar terms applying to other office holders.

For additional details regarding capital remuneration to office holders, see Notes 33.f. and 33.g. to the financial statements.

	Employer payments and provisions	Supplement to reserves in respect to incidental expenses following changes in salaries in accounting year	Actuarial loss in respect of change in the discounting interest rate (2)	Total payroll and related expenses (3)(4)	Total payroll and related expenses according to remuneration law(3)(5)	Loans granted under ordinary market terms(6)
	696	**21**	**-**	**3,830**	**3,387**	**-**
	345	**204**	**145**	**4,122**	**3,564**	**4,795**
	387	**-**	**59**	**3,194**	**2,994**	**-**
	485	**281**	**100**	**3,094**	**2,497**	**415**
	343	**-**	**60**	**2,713**	**2,473**	**-**
	421	**-**	**-**	**2,697**	**2,465**	**764**

	Employer payments and provisions	Supplement to reserves in respect to incidental expenses following changes in salaries in accounting year	Actuarial gain in respect of change in the discounting interest rate (2)	Total payroll and related expenses (3)(4)	Total payroll and related expenses according to remuneration law(3)(5)	Loans granted under ordinary market terms(6)
	264	-	-	3,097	2,696	-
	473	-	(66)	3,589	3,337	5,177
	275	-	(78)	2,713	2,749	-
	374	-	-	2,424	2,200	791
	107	1,018	(50)	2,311	1,738	849
	348	24	-	2,295	2,132	853

Notes:

A. The bank accounts management conditions for senior executives, including all activity in those accounts, are similar to other customers conditions with similar characteristics.

B. For details regarding the compensation policy for officers of the Bank, as approved by the general meeting of shareholders dated March 1, 2023, and which was amended on March 4, 2025, and applies for the bonus years 2024, see immediate report of the Bank dated January 28, 2025 (Ref. No. 2025-01-007371). For details regarding the compensation policy 2026, including guidelines in respect of the bonus years 2025, see immediate report of the Bank dated January 27, 2026 (Ref. No. 2026-01-010114).

C. There are no Officers subject to the CEO of the Bank, were the accounting expense in respect of the award granted to them in 2025 exceeded the ceiling stated in Section 2(a) of the Compensation Act.

Mr. Ron Levkovich - was appointed Chairman of the Board of Directors of the Bank as from September 15, 2020.
For details of the engagement agreement with Mr. Levkovich - see Note 33F (3) to the financial statements, as well as Immediate Reports by the Bank dated September 19, 2023 (Ref. No. 2023-1-086296) and dated January 28, 2025 (Ref. No. 2025-1-007371).

Mr. Eli Cohen – employed by the Bank since June 6 ,2004, and officiate as CEO of the Bank since November 30, 2023.
For details of the employment terms of Mr. Eli Cohen – see Note 33F (1) to the financial statements, as well as Immediate Reports by the Bank dated November 29, 2023 (Ref. No. 2023-1-107974) and January 28, 2025 (Ref. No. 2025-1-007371).

Mr. Yoram Sirkis - has been employed at the Bank since February 9, 1993, under a collective agreement and since March 20, 2007 under a personal agreement, for a specified period until Mars 20, 2010. Following that date, the agreement will continue for an unspecified period in which each of the parties to the agreement may terminate the agreement at any time and for whatever reason by a prior and written notification of six month and in accordance with the terms of the employment agreement. On termination of his employment Mr. Sirkis is eligible to severance compensation at a level of 100% of his last monthly salary, for the period of his employment by the Bank until January 1, 2019, while for the period following that date, he will be eligible for severance compensation according to section 14 to the Severance Compensation Act. The redemption value of the severance compensation amounts, contributed by the Bank to a pension fund in his favor, will be deducted from these amounts.
A paid non-competition period of three months from the date of termination of his employment at the Bank.
Mr. Sirkis's salary is linked to the rise in the consumer price index.
For details of determination of the annual award for 2025, among others, to Mr. Sirkis, see Immediate Report by the Bank dated January 27, 2026, mentioned above.

Ms. Vered Golan - employed at the Bank since July 31, 1996 under collective agreement, and since July 1, 2024, under a personal agreement for an unspecified period, in which each of the parties thereto are entitled to terminate the agreement, for whatever reason at any time, giving a prior notice in writing of three months in accordance with the terms of the employment agreement.
On termination of her employment Ms. Golan is eligible to an ordinary severance payment at a level of 100% of her last monthly salary, for the period of her employment in the Bank up to July 1, 2024, while for the period after that date, Ms. Golan will be entitled to severance compensation in accordance with Section 14 of the Severance Compensation Act. The redemption value of the severance compensation amounts contributed by the Bank to a pension fund in her favor, will be deducted from these amounts. Notwithstanding the above and unless otherwise determined by the Board of Directors and subject to any law, in the case of termination of Ms. Golan's office due to her resignation during the period of three years from entry date of the personal agreement into force, Ms. Golan would be entitled to severance compensation in respect of her employment period at the Bank until July 1, 2024 (hereinafter – "the prior employment period") of the higher of the two amounts: (1) severance compensation based on her last salary under the collective agreement prior to her appointment as Member of Management of the Bank, linked to the Consumer Price Index; or (2) the redemption value of the severance compensation amounts contributed by the Bank to a pension fund in her favor for the prior employment period.
A paid non-competition period of three months from the date of termination of her employment at the Bank.
Mrs. Golan's salary is linked to the rise in the consumer price index.
For details of determination of the annual award for 2025, among others, to Ms. Golan, in respect of her office as Member of Management of the Bank, see Immediate Report by the Bank dated January 27, 2026, mentioned above.

Mrs. Ella Golan - employed at the Bank since January 16, 1994 under collective agreement, and since December 1, 2013, under a personal agreement for an unspecified period, in which each of the parties thereto are entitled to terminate the agreement, for whatever reason at any time, giving a prior notice in writing of six months in accordance with the terms of the employment agreement.

On termination of her employment Mrs. Golan is eligible to an ordinary severance payment at a level of 100% of her last monthly salary, for the period of her employment in the Bank up to January 1, 2018, while for the period after that date, Mrs. Golan will be entitled to severance compensation in accordance with Section 14 of the Severance Compensation Act. The redemption value of the severance compensation amounts contributed by the Bank to a pension fund in her favor, will be deducted from these amounts.

A paid non-competition period of three months from the date of termination of her employment at the Bank.

Mrs. Golan's salary is linked to the rise in the consumer price index.

For details of determination of the annual award for 2025, among others, to Mrs. Golan, see Immediate Report by the Bank dated January 27, 2026, mentioned above.

Mr. Ron Grissaro - has been engaged by MATAF since June 4, 2017, according to a personal agreement for a specified period of three years. Thereafter, the agreement remains in effect for an additional unspecified period, in which each of the parties thereto are entitled to terminate the agreement, for whatever reason at any time, giving a prior notice in writing of three months in accordance with the terms of the employment agreement.

As from January 1, 2021, Mr. Grissaro is employed by the Bank, with rights continuity with his employment at MATAF.

Upon termination of his employment, Mr. Grissaro is entitled to severance compensation in accordance with Section 14 of the Severance Compensation Act.

A paid non-competition period of three months from the date of termination of his employment at the Bank.

Mr. Grissaro's salary is linked to the rise in the consumer price index.

For details of determination of the annual award for 2025, among others, to Mr. Grissaro, see Immediate Report of the Bank dated January 27, 2026, mentioned above.

Nr. Nachman Nitzan - Commenced his employment at the Bank on September 1, 2011, under a personal agreement for a fixed period of two years. Following this period, the agreement continues in effect for an unspecified period, in which each of the parties to the agreement may terminate the engagement for whatever reason at any time, giving a prior notice in writing of three months in accordance with conditions stated in the employment agreement.

Upon termination of his employment, Mr. Nitzan would be eligible to severance compensation according to Section 14 of the Severance Compensation Act.

A paid non-competition period of three months from the date of termination of his employment at the Bank.

Mr. Nitzan’s salary is linked to the rise in the consumer price index.

For details of determination of the annual award for 2025, among others, to Mr. Nitzan, see Immediate Report of the Bank dated January 27, 2026, mentioned above.

TRANSACTIONS WITH INTERESTED PARTIES

a. Amendment to the Securities Regulations (Periodic and Immediate Reports), 1970 - Reports on transactions with controlling shareholders.

No changes have taken place during the reported period in the rules enacted in the past regarding the reporting of transactions with controlling shareholders, as detailed in the Chapter Corporate Governance, transactions with interested partied. In the financial statements for the year 2024.

b. Determination of criteria for the purpose of the Bank's transactions with interested parties

No changes have taken place during the reported period in the criteria, as determined in the past in the matter of transactions of the Bank with interested parties, as detailed in the Chapter Corporate Governance, transactions with interested partied. In the financial statements for the year 2024.

c. Transactions with controlling owners or in which a controlling owner has an interest, approved in the reported year in accordance with Section 270(4) and/or Section 267A of the Companies Act (including framework transactions still valid at the reporting date and transactions approved in accordance with the Companies Regulations (Relief regarding Transactions with Interested Parties), 2000 (hereinafter: "the Relief Regulations"):

1. On June 13, 2024, and towards the termination of a framework transaction of December 2018, and after obtaining the approvals of the Audit Committee, the Compensation Committee and the Board of Directors, the general meeting of shareholders of the Bank approved the following resolutions concerning insurance for directors and officers:
   - Approval in advance to engagement of the Bank in a “directors and officers liability” insurance policy, for the Bank itself, for all or part of the subsidiary companies and for the controlling shareholder FIBI Holdings Ltd. (hereinafter – “FIBI”) (hereunder together – “the Bank Group Companies”), for a period of up to six years, beginning on July 1, 2024, and until June 30, 2030, including by way of extension of policies approved in the past and/or by means of the purchasing of new policies, and which would apply to officers that had served and/or that would serve at the Bank and/or at Group companies from time to time, including the President and CEO, as well as officers who have a controlling interest in the Bank and/or their next of kin and/or persons the inclusion of whom in the insurance policy, might be the interest of holders of a controlling interest.

     The said resolution comprises a resolution for the approval of a framework transaction, as defined in item 1(3) of the Relief Regulations (hereinafter - "the framework transaction") allowing the renewal of the insurance policy also with respect to Directors and Officers who are controlling shareholders of the Bank and/or their kin, as well as with respect to the President and CEO, also in accordance with provisions 1(3), 1B(5) and 1A(1) of the Relief Regulations. The mechanism for the renewal of the insurance coverage in the same format had also been approved within the framework of the compensation policy, approved by the general meeting of shareholders of the Bank held on March 1, 2023, and updated on June 13, 2024, and thereafter also on January 28, 2025, the details of which were reported in immediate reports dated January 24, 2023 (Ref. No. 009553-01-2023), May 7, 2024 (Ref No. 048015-01-2024) and January 28, 2025 (Ref. No. 007371-01-2025) (hereinafter - "the compensation policy"), so that it allows the renewal of the insurance policy also with respect to directors and officers, who hold a controlling interest in the Bank and/or their next of kin, in accordance with Regulation 1B(1) of the Relief Regulations, and the said resolution of June 2024, serves also as a resolution under Section 267A of the Companies Act as an Amendment of Section 8.2 of the Compensation Policy of the Bank (for the period in which the existing compensation policy of the Bank remains in force).
   - Approval of the manner in which the said insurance fee expenses in respect of the directors and officers’ liability insurance policies are to be allocated among FIBI, the Bank and its Group's companies which elect to join the insurance policy during the period of the framework transaction. The said resolution comprises also a resolution for the approval of a framework transaction, as defined in item 1(3) of the Relief Regulations.

- The framework for the terms of the policy as well as the terms for the renewal of the policy from time to time, within the framework transaction, the compensation policy and the manner of allocation of the insurance fees between FIBI and the Bank and its subsidiaries, were described in an immediate report of the Bank regarding the approval of the framework transaction dated May 7, 2024 (Ref. No. 048015-01-2024), and the contents of this report is presented herein by way of reference.

2. On December 8, 2025, following approvals by the Audit Committee and the Compensation Committee, in accordance with Regulations 1(3), 1(a)(1), 1(b)(5) and1(b)(1) of the Relief Regulations, the Board of Directors of the Bank approved the renewal of the officers and directors liability insurance policy in respect of the Bank and the companies in Bank Group, including subsidiary companies of the Bank as well as the controlling shareholder FIBI Holdings Ltd. and including the President and CEO of the Bank and Directors who are controlling shareholders, or where the controlling shareholders may have a personal interest in their inclusion, for an additional insurance period of 12 months, beginning on January 1, 2026, and ending on December 31, 2026. For details as to the terms of the policy, see the immediate report by the Bank dated December 8, 2025 (Ref. No. 097749-01-2025) the contents of which is presented herein by way of reference.

3. On September 12, 2023, after obtaining the approval of the Compensation Committee and in accordance with Regulation 1b. of the Companies Regulations (Reliefs regarding transactions with Interested Parties), 2000, the Board of Directors of the Bank ratified the continuation of payment of remuneration to Directors from among the controlling shareholders of the Bank, as paid to them prior to the said ratification, for a period of three additional years, all as detailed in the immediate report of the Bank dated September 12, 2023 (Ref. No. 086287-01-2023) included herein by way of reference. The said approved remuneration agrees with the compensation policy for officers of the Bank, as approved by the general meeting of shareholders of the Bank held on March 1, 2023, and updated on June 13, 2024, and thereafter also on January 28, 2025, the details of which, regarding compensation to all directors (excluding the Chairman of the Board) are stated in Section 7 of the Appendix "A" to the immediate report of the Bank dated January 24, 2023 (Ref No. 009553-01-2023) presented herein by way of reference.

4. On May 4, 2021, the Board of Directors of the Bank, following approval by the Compensation Committee, approved an update to the annual remuneration and to the remuneration for participation in meetings, in respect of external Directors and other Directors, officiating or who may officiate from time to time, and who are expert Directors, as the term "expert external director" is defined in the Companies Regulations (Rules regarding remuneration and reimbursement of expenses of an external director), 2000, (hereinafter - "Remuneration Regulations" and "Expert Director"), excluding the Chairman of the Board, in respect of whom separate remuneration for fulfillment of position had been determined, so that following the above update, the remuneration would amount to the "maximum amount for an expert external director" as stated in the Fourth Addendum to the Remuneration Regulations (annual and per meeting), in accordance with the ranking of the Bank (the said amount being rounded off to the nearest amount being a multiplication of five NIS and linked to the CPI in accordance with the Remuneration Regulations). VAT in accordance with the law would be added to the said amounts. With respect to resolutions passed with no meeting being convened and resolutions passed online, the remuneration for participation in meetings would continue to be paid at the rate stated in the Remuneration Regulations. Furthermore, Directors would be entitled to the reimbursement of expenses, as stated in Regulation 6 of the Remuneration Regulations.

   The amount of remuneration, as stated above, shall be paid to an expert Director starting with the date of extension of office of an external Director of the Bank under the Companies Act, in accordance with the Remuneration Regulations. On June 10, 2021 the General Meeting of Shareholders of the Bank approved the extension of office of an external director in accordance with the Companies Act.

   As of date of this Report, all officiating Directors are expert Directors, within the meaning of the term in the Remuneration Regulations.

Notwithstanding the above mentioned, at the request of Mr. Tsadik Bino and Mr. Gill Bino, who are controlling shareholders of the Bank, the decision regarding the updating of the remuneration shall not apply to them, and they will continue to be compensated in accordance to the previous amount of compensation that had been paid to them, this in accordance with decisions taken in their respect in September 2020, by the Compensation Committee and by the Board of Directors and as re-confirmed in September 2023.

Nothing stated above derogates prior resolutions that had been passed by the Bank with respect to Directors' remuneration, including with respect to remuneration payable to non-expert Directors, who may officiate at the Bank from time to time.

5. Commitment for the indemnification of directors and officers of the Bank (including renewal of the indemnification of directors from among the controlling shareholders of the Bank dated July 6, 2023, as described in Note 25C to the financial statements).

d. Additional information on transactions with interested parties

1. For details of the balances and condensed results of transactions with interested parties and related parties, see also Note 33 to the financial statements.
2. The Group, with the participation of FIBI Holdings, jointly purchases insurance policies, including liability insurance for directors and officers, including also directors who are controlling owners and their relatives.
3. Granting exemption from responsibility to acting directors and officers and to those who would act at the Bank from time to time, in accordance with the approval of the general meeting of shareholders of 2004 and as detailed in Note 25C to the financial statements. It is noted, that the Bank has not tabled for reconfirmation by the general meeting of shareholders, the exemption letters granted in 2004 to directors who are controlling shareholders.
4. In addition, the Bank and its subsidiaries conduct from time-to-time transactions with interested parties in the Bank in the ordinary course of business and at market terms.
5. 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 (NIS thousand):

	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]									
December 31, 2025	**124**	**-**	**-**	**124**	**443**	**-**	**10**	**-**	**577**
December 31, 2024	179	-	-	179	411	-	-	-	590

	December 31, 2025		December 31, 2024	
	Balance on balance-sheet date	Highest balance during period	Balance on balance-sheet date	Highest balance during period
		NIS thousand		NIS thousand
Deposits of others[1]	**21,876**	**46,386**	43,594	48,624

(1) Relatives of controlling shareholders of the Bank, according to the definition of a "relative" in the Banking Act (licensing)-1981.

DETAILS OF THE OWNERS OF CONTROL IN THE BANK

FIBI Holdings Ltd. (hereinafter - "FIBI"), a public company the shares of which are traded on the Stock Exchange, holds 48.34% of the issued share capital and voting rights in the Bank (a rate comprising the core of control according to the control permit issued by Bank of Israel). The holders of control of FIBI are Mr. Zadik Bino and his children - Gill Bino, Hadar Bino-Shmueli and Daphna Bino-Or (hereinafter - "the Bino family"), Messrs. Michael and Helen Abeles, and Messrs. Barry Lieberman, Casy Lieberman-Harris, Lee Lieberman and Joshua Lieberman (each of the groups by way of corporations under their full control: Binohon Ltd., (hereinafter – "Binohon"), Instanz No. 2 Ltd., (hereinafter – "Instanz 2") and Dolphin Energies Ltd. (hereinafter – "Dolphin").

In September 2003, control of FIBI was transferred to Binohon and the Australian Lieberman Group, consisting of the Michael and Helen Abels family and the Lieberman family, through Instanz Holdings Ltd. (hereinafter "Instanz") and Dolphin, respectively, in equal shares. On March 24, 2013, Instanz Holdings transferred to Instanz (which is also fully controlled, through Australian entities, by Messrs. Helen and Michael Abeles), all of the holdings of Instanz Holdings in FIBI. Upon the transfer of the shares, Instanz 2 joined as a party to the Shareholders' Agreement between Instanz Holdings, Binohon and Dolphin Energies, as amended from time to time, and Instanz Holdings continues to be a party to the Shareholders' Agreement and is a guarantor for the obligations of Instanz 2.

Binohon, Instanz and Dolphin entered into a Shareholders' Agreement, within the framework of which various arrangements were set forth regarding their holdings in the controlling interest in FIBI (namely, the holdings acquired as aforesaid at the time of the transfer of control in FIBI) and indirectly in the Bank, which include, to the best of the Bank's knowledge, among other things:

(1) Subject to any law, an arrangement for the appointment of directors in FIBI and in the Bank: In relation to the Board of Directors of FIBI - it is determined that it will appoint at least nine directors - five or more directors to be recommended by Binohon, one director to be recommended by Instanz, one director to be recommended by Dolphin and two external directors to be appointed according to the recommendation of Binohon after consulting with Instanz and Dolphin (as of the date of this report, the Board of Directors of FIBI numbers six directors). In connection with the Board of Directors of the Bank, it was determined that the parties will act so that the Board of Directors of the Bank will number at least 11 directors (as of the date of this report, the Board of Directors of the Bank numbers ten directors, in view of Proper Conduct of Banking Business Directive 301 of the Supervisor of Banks which stipulates, inter alia, that a board of directors of a banking corporation shall not include more than 10 directors), of which FIBI will support the appointment of five directors to be recommended by Binohon, one director to be recommended by Instanz and one director to be recommended by Dolphin, and that the external directors of the Bank will be chosen by consensus, and an arrangement will be determined in the event that there is no such consensus;

(2) Regarding the participation of the parties in FIBI's shareholders' meetings, it is determined that the parties will vote at the said meetings according to the position of Binohon (after discussion between the parties), except for resolutions to appoint directors in FIBI and the Bank (for which the aforementioned arrangement was determined) and except for transactions of FIBI, the Bank and/or their subsidiary with the parties or interested parties in them, for which arrangements have been determined, according to which such transactions will not be carried out without the written consent of Binohon and one of the two, Instanz or Dolphin;

(3) Subject to any law, arrangements regarding the use of their controlling power in FIBI regarding FIBI's voting at the Bank's shareholders' meetings as follows: (a) With regard to all matters on the agenda of the Bank's meeting, with respect to which resolutions or recommendations have been made by the Bank's Board of Directors to the meeting, FIBI will vote in accordance with the position of FIBI's Board of Directors; (b) With regard to all matters with respect to which no resolutions or recommendations have been made as aforesaid by the Bank's Board of Directors or brought to the Bank's meeting at the request of a shareholder, without having been discussed by the Bank's Board of Directors, FIBI will vote in accordance with the position of the FIBI Board of Directors, provided that one of the directors appointed by Instanz or by Dolphin supports the position, and in the absence of such support, it will vote against the proposed resolution. In the event that the two directors appointed as aforesaid by Instanz or by Dolphin have a personal interest,

FIBI will vote in accordance with the position of the FIBI Board of Directors. It is clarified that these arrangements do not apply to the appointment of directors at the Bank, in which case the arrangement described above shall apply. It was further clarified in the agreement that the shareholders' agreement does not constitute a voting agreement applicable to the directors at FIBI or at the Bank;

(4) Agreement to act in accordance with Bank of Israel permit to hold the means of control in the Bank granted to the controlling shareholders;

(5) A right of first refusal mechanism for Binohon to purchase FIBI shares, which are part of the controlling core, acquired in 2003 as aforesaid by Instanz and Dolphin (including bonus shares or other shares to be allocated in connection with them), if either of them enters into an agreement to sell them; determination of a mechanism granting Dolphin and Instanz the right of accession upon the sale of FIBI shares, which are part of the controlling core acquired in 2003 as aforesaid (including bonus shares or other shares to be allocated in connection with them) by Binohon;

(6) Establishing the right for Binohon to oblige Dolphin and Instanz to join in the sale of FIBI shares by it.

The transfer of control of FIBI was made in accordance with Bank of Israel permit dated August 27, 2003, which stipulated, among other things, various conditions and obligations regarding the manner of holding the means of control directly and indirectly in FIBI and the Bank, their transfer, and the relations between the permit recipients, FIBI and the Bank. Following an amendment to the permit from 2008 (hereinafter - the permit and the amendment to the permit shall be referred to together as: "the permit"), the permit recipients are Tzadik Bino, Mr. Tzadik Bino's children - Mr. Gil Bino, Ms. Hadar Bino Shmueli, Ms. Dafna Bino Or, as well as Helen and Michael Abeles, Lee Lieberman, Joshua Lieberman, Cassie Lieberman-Harris and Barry Lieberman - from Australia.

To the best of the Bank's knowledge, the permit Includes provisions regarding the relationship between the permit recipients, FIBI and the Bank, including the following:

(1) As long as the permit recipients control FIBI, FIBI will not sell or transfer, directly or indirectly, any means of control in the Bank, if as a result, its holding in the Bank decreases below the minimum percentage set (approximately 48.34% of the share capital and approximately 67.25% of the voting rights). A minimum percentage was also set for the permit recipients' holdings in FIBI (hereinafter "the Minimum Percentage"). The permit stipulates that the controlling group (the permit recipients) will maintain at all times the minimum percentage in FIBI and the Bank. For this purpose, the controlling group will acquire means of control if its holding in any type of means of control falls below the minimum percentage. It was further determined that if FIBI or the Bank issues rights to shares or any security convertible into shares, the controlling group will retain the holding of the minimum percentage minus three percentage points in the calculation based on full dilution. Notwithstanding the above, if an equalization of rights is made between the different types of shares existing in FIBI or the Bank, the controlling core or the minimum percentage with respect to voting rights will be compared to the minimum percentage with respect to share capital, provided that the group continues to retain sole and exclusive control over FIBI and the Bank. It was also determined that FIBI's primary business will be to hold control of the Bank.

(2) Since a period of five years has passed since the granting of the permit, according to the terms of the permit, the permit recipients are permitted to sell or transfer means of control in FIBI, only if (a) they sell or transfer together all the means of control, which constitute the minimum share in FIBI, to an individual or group that has been duly permitted to receive them; or (b) the buyer or transferee has been duly permitted to purchase and receive the means of control and will act in permanent coordination with the other permit recipients in accordance with the FIBI shareholders' agreement, mentioned above, or another agreement approved by the Supervisor of Banks.

(3) The means of control in FIBI, at the rate acquired at the time of the transfer of control in FIBI as aforesaid, held directly by the permit holders, as well as the means of control in the Bank, at the said minimum rate, held by FIBI, shall be deposited with a trustee resident in Israel, whose identity, trust deed and the instructions given to him shall be subject to the approval of the Supervisor of Banks. The means of control in FIBI and in the Bank at the said minimum rate are held in the manner stated in the terms of the permit.

(4) No dividends shall be distributed from profits accumulated in the Bank until March 31, 2003, and if losses are accumulated after this date, no dividends shall be distributed, except after covering these losses. The balance of the surplus in the Bank that was distributable as of March 31, 2003 amounted to NIS 2,391 million.

(5) Appointments of the Chairman of the Board of Directors and the Bank's CEO shall be subject to the consent of the Supervisor of Banks.

(6) The recipients of the permit, including their relatives and corporations controlled by any of them, shall not receive management fees or any other consideration or benefit from the Bank or from corporations controlled by the Bank, but shall be entitled to provide services that are normally provided by their provider and at market prices, after prior notification to the Supervisor of Banks under the terms specified in the permit. If the Supervisor of Banks informs that the service is not of a type normally provided to others or that the consideration for it is not reasonable, the service shall not be provided. This provision does not apply to remuneration for directors paid in the same amount to all directors of the Bank.

(7) Without the approval of the Supervisor of Banks, the permit recipients or corporations under their control, including FIBI and the corporations under its control, shall not engage in any business, in Israel or outside Israel, of accepting deposits, granting credit, or any other financial business that is in competition with the business of the Bank. Likewise, without the approval of the Supervisor of Banks, the permit recipients or any of them or corporations under their control shall not be interested parties (as defined in the permit), directors or senior managers in corporations engaged in the aforementioned businesses.

(8) Funding the acquisition of means of control in FIBI or the Bank, including providing a guarantee for such financing, shall not be carried out, directly or indirectly, by the Bank or banking corporations under its control.

(9) Minimum holding rates for permit recipients in FIBI have been determined, as well as provisions regarding arrangements within the group of permit recipients, including various provisions regarding the acquisition of additional means of control in FIBI by them, in terms of the manner in which they will hold additional means of control that they will acquire and in terms of the ratio of holdings in FIBI shares among the members of the controlling group.

(10) The controlling group undertook to bring the permit and its terms to the attention of the Bank's Board of Directors, with the exception of certain conditions.

The permit and amendments made to the permit allowed FIBI to increase its holdings in the Bank by a rate not to exceed 56.34% of the Bank's share capital.

As of the date of this report, FIBI holds 48.34% of the capital and voting rights in the Bank.

The permit determined that the Bino family would hold the means of control in FIBI (which are part of the controlling interest acquired in 2003) through Binohon directly; The holders of Binohon may be Mr. Tzadik Bino and/or his children - Mr. Gil Bino, Ms. Hadar Bino Shmueli, Ms. Dafna Bino Or (hereinafter, collectively "- the Bino family"). The Bino family is entitled to hold, through another corporation, the excess interest in FIBI (beyond the minimum interest determined in the permit as stated above).

According to FIBI's reports, as of the date of publication of the financial statements, Mr. Tzadik Bino owns 25% of the controlling interests in Binohon, and his children, Mr. Gil Bino, Ms. Hadar Bino Shmueli and Ms. Dafna Bino Or each hold 25% of the controlling interests in Binohon.

In addition, in accordance with the reports of FIBI, as of date of publication of the financial statements, the holdings of the controlling shareholders in FIBI (in equity and voting) are as follows: Binohon Ltd. - 28.54%, Instanz No. 2 Ltd. - 11.68%, and Dolphin Energies Ltd. - 11.68% (the holdings of all the controlling shareholders of FIBI comprise its core of control, in accordance with the control permit issued by Bank of Israel).

On February 3, 2026, the Bank received an invitation from FIBI to conduct negotiations to enter into a tax-exempt merger transaction between FIBI and the Bank by way of an exchange of shares, so that at the end of it FIBI will cease to exist and all of its assets and liabilities will be transferred and acquired by the Bank (hereinafter - the "Merger Transaction").
Subsequently, on February 3, 2026, the Bank's Board of Directors decided to appoint an independent committee of the Board of Directors to review the invitation, which would be authorized, among other things, to negotiate with FIBI and make recommendations on whether to enter into a merger transaction with FIBI and in respect of its terms.
The aforementioned merger transaction, to the extent that it takes place, is subject to various conditions, including reaching agreements on the terms of the merger transaction and entering into the merger transaction between the Bank and FIBI; obtaining the approvals of the authorized bodies of the Bank and FIBI in accordance with the requirements of the law; and receiving all the required regulatory approvals, including:

1. Obtaining a revised control permit for the Bank from Bank of Israel for the existing controlling shareholders, while preserving core control of the Bank;
2. Receiving the Tax Authority's ruling that the merger transaction is tax-exempt:
3. Obtaining permits as required from the Securities Authority and the Tel Aviv Stock Exchange.

There is no certainty regarding the entry into negotiations, the reaching of agreements for the Bank and FIBI entering into a merger transaction, its terms, the fulfillment of the conditions for its completion (including the receipt of the approvals required by law) or the date of its completion, if and to the extent that the Bank and FIBI actually enter into the aforementioned transaction.

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, is to establish long-term involvement and cooperation in society, inter alia, by means of voluntary activity of its employees and cooperation with factors, organizations and associations assisting the community. Employees of the Bank take part in such projects and contribute their time, experience and skills, in aid of different populations and sectors.

The Bank continues to accompany the community of the Nir Oz Kibbutz, as a central part of its activity in contributing to the community since the outbreak of the war. In the first phase the Bank acted to coordinate the actions of the Kibbutz in the management of the rehabilitation process. Furthermore, the Bank participates in the reconstruction of the Kibbitz buildings and contributes to the establishment of a children house at the new Chalutz Quarter that is being built in the Kibbutz, all this alongside contributions made during the year in favor of the welfare of the community.

This activity continued alongside contribution to additional projects, among which:

- Academic rehabilitation program for the wounded of the “Swords of Iron” War at the Bar-Ilan University - As part of the program, warriors are integrated, as "free listeners”, into academic courses of their choice, they accumulate credits and enjoy a young and supportive environment, which helps them return to an active and meaningful life. The program provides the fighters with the logistical and emotional support needed to begin building their academic future together with their peers, strengthen their sense of self-worth, focus on their studies, and gradually return to a full and meaningful life routine.
- Commemorating October 7th - The Bank contributed to the establishment of the "October 7th" exhibition by photographer Ziv Koren at the Peres Peace Center and the event of awarding the order of chivalry and hope which took place in the sign of heroism, initiative and feminine leadership to which we were exposed during the war. Thus, the Bank is a partner in commemorating and preserving the memory of the disaster that occurred in the country.
- The "Makers for Heroes" track through the "RESTART" Association – A donation for the development of innovative technological solutions, personally adapted for wounded soldiers of the IDF and the security forces. The Association’s Makers team, in collaboration with volunteer teams that include engineers, care and medical personnel, and designers, gather around a unique challenge of a wounded person to turn a groundbreaking idea into reality, with the wounded person being an integral part of the team and the development process. At the same time, the Bank hosted several graduation events of the Story Telling program of the Association training female and male wounded IDF and defense forces personnel to tell their personal stories in a TED style lecture.
- Processing workshops to prevent post-trauma among reservists on active service and emotional assistance for spouses of combatants in collaboration with the Rimon Farm Association - as part of this donation, dozens of groups of reserve servicemen and women from across the country underwent processing processes and combat experiences at Lahav Farm in the south, and hundreds of spouses of combatants took part in experience processing sessions, which were led by professionals.
- The "Tools from the Waves" program through the "My Wave" Association - a program that uses surfing as a therapeutic tool for physically and mentally injured and disabled IDF soldiers.
- Sisters of Iron initiative - an initiative which was established in the wake of the war, the purpose of which is to support the wives of recruits through a network of ultra-orthodox volunteer women on a nationwide distribution.

Moreover, the Bank continues to act as in ordinary times in accordance with the following centers:

Defense forces

- "Warm Home" - the Bank is active in favor of the defense forces, with a focus on providing response to the needs of solitary soldiers serving in fighting units of the IDF. In collaboration with the "Association for Soldiers’ Welfare", the Bank has put at the disposal of soldiers 30 apartments all over the country, equipped at a high level, serving soldiers in

leading a comfortable and embracing daily routine, providing the feeling of a warm home. Each such apartment has an adopting branch of the Bank, employees of which look after the soldiers using the apartment and maintain current relations with them, being attentive and providing response to their needs in their daily life.

- "Leading to Success" - The Bank attributes great importance to the issue of reduction of gaps in the population and providing opportunities for the integration of disadvantaged soldiers and veterans in the community. The Bank has formed a scholarship plan to finance academic studies at the Open University, intended for such students, with a view of providing them with a key for economic independence, allowing a change of life and increasing their earning ability, thus leading them to optimal integration in society.
- "Adopt a warrior" - Within the framework of the project "Adopt a warrior", the Bank adopts Battalion 411. As part of this adoption, the Bank participates in events of the unit and supports the well-being of the soldiers all through their service period.
- "Special in uniform" - The Bank participates in the "Special in Uniform" program, engaged in integrating handicapped youth in military framework, enabling them to join-up and serve "just like all others". The program comprises a jumping board for their integration in the work place and in Israeli society in all areas of activity. As part of the program, the Bank adopted four units, each of them having an adopting branch of the Bank, which accompanies the unit during the period of service.
- "G clef" - The Bank, jointly with the "Lior Foundation", contributes to the "G clef" program, which grants scholarships to shell-shocked ex-servicemen studying music within a treatment framework, at the Tel Aviv Music Conservatory.
- Promotion of culture among IDF service personnel. In participation with the Lior Foundation, the Bank has made a contribution which enables the meeting of military service personnel with authors all over the country.
- "Now it's me" - The Bank, jointly with the IDF Disabled Organization, contributed to the formation of a designated personal training and growth program for IDF female casualties/disabled, interested in a process of development and self-fulfillment, struggling with the injury and participating in an embracing female community. As part of the program, female managers at the Bank lecture on financial subjects and provide personal financial guidance to participants.

Cooperation for the advancement of the Ultra-Orthodox sector

"Leadership in Hi-Tech" - program engaged in the advancement of diversifying processes and inclusion of applications intended for the optimal integration of Ultra-Orthodox women in qualitative and advancing employment in the technology world. The program operates nationwide in Ultra- Orthodox communities and supports training courses for the integration in the new labor world, including preparation for development in the technological world, delivery of presentations, delivery of messages, exercise practices and constant improvement of the English language, and more. Employees of the Bank take part in the classification, training and mentoring processes.

Volunteering employees

Employees of the Bank participate in different voluntary activities, such as cooking meals for lone service personnel, construction of sitting areas for soldiers in the field and preparation of pamper packages to soldiers. At the same time, employees of the Bank take part in the teaching of the financial field, both trough the ongoing frameworks to which the Bank contributes and via the framework of “Sparks- other lesson” organization, in which the Bank’s employees are teaching the next generation correct and wise financial conduct.
In addition, the Bank cooperates with Bank of Israel, the Union of Banks and the banking system, regarding financial education to other diversified populations.

In the course of 2025, hundreds of Bank employees took part in the various voluntary activities of the Bank.
The total donations to the community by the Bank Group in 2025, amounted to approx. NIS 5 million.

ADDITIONAL INFORMATION

PRINCIPAL HOLDING STRUCTURE CHART



V - Bank's Voting Right
E - Bank's Share in Equity

Voting- voting percentage in voting rights
Equity- holding percentage in the company's equity

FIXED ASSETS

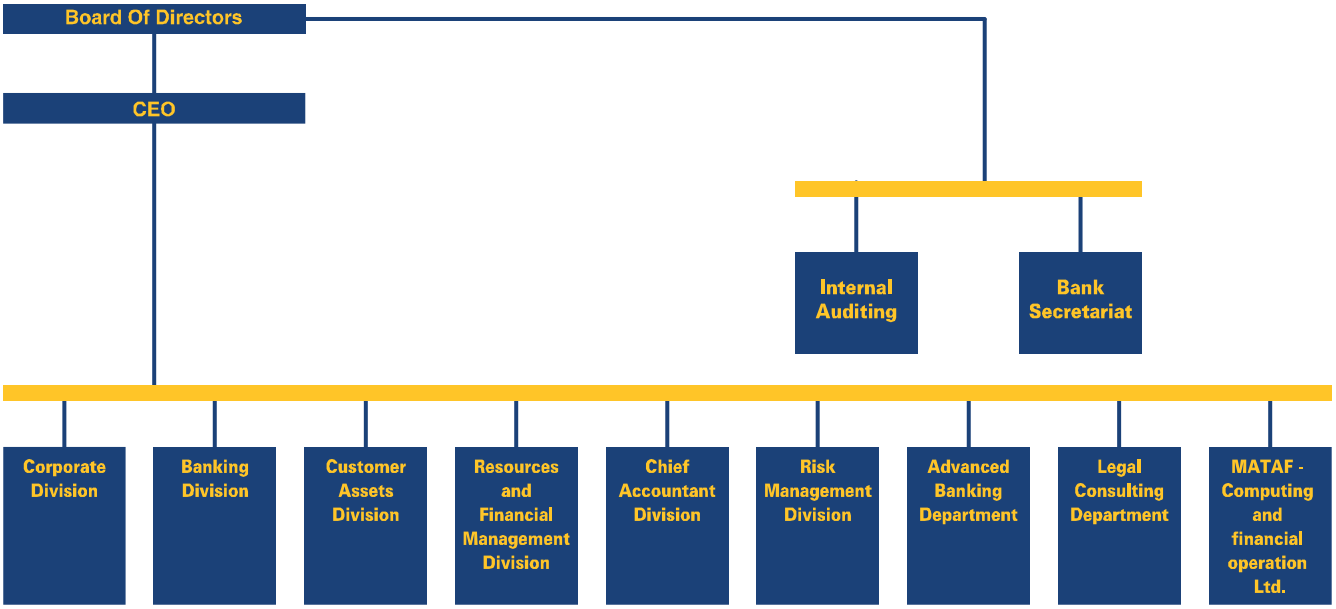
	December 31			
			2025	2024
	Cost	Accumulated depreciation	Balance	Balance
				NIS million
Buildings and land (including installations and improvements to rented properties)	**1,382**	**622**	**760**	771
Equipment (including computers, furniture and vehicles)	**731**	**620**	**111**	96
Total	**2,113**	**1,242**	**871**	867

As of December 31, 2025, the Bank Group owned or leased a total area of 50.2 thousand square meters in 34 properties (31.12.2024 – 51.4 thousand square meters in 38 properties). In addition, the Group rents in Israel a total area of 31.1 thousand square meters in 110 properties throughout the country (December 31, 2024 – 34.4 thousand square meters in 106 properties). The rental agreements for rented premises are for varying periods and in most cases an option to extend the rental periods is provided. The majority of rental contracts are linked to the consumer price index.

See Note 16 to the financial statements for details on additional aspects of the investment in premises and equipment.

HUMAN CAPITAL

The organizational structure of the Bank



As of December 31, 2025, the Bank Group operated via 120 branches and sub-branches (99 branches and sub-branches at the Bank and 21 branches and sub-branches in Massad). The Group examines on a current basis the developments in the profitability and business activity of the branches, relative to the target populations for which they were meant to serve, the targets set in the working plans of the banks in the Group and the ability to utilize to the fullness the potential in the geographical area in which each branch operates. In this framework the compatibility of the branches distribution to the business environment is examined on a current basis, as well as to the changes in the areas comprising potential business development in the target population of each bank in the Group.

Human Resources Strategy

The Bank promotes a culture of professional development, excellence and an up-to-date professional qualification to face future challenges by means of training and qualification programs that provide knowledge and skills in a range of operating fields reflecting aspects of regulation, technology, innovation, AI and advanced work procedures.

The Bank performed a comprehensive examination of the future labor world. In consequence thereof, training and development programs have been formulated in order to prepare the human capital to the challenges of the future in areas relating to employee skills, management tracks, adaptation of diagnosis processes and formulation of training programs.

In the learning processes, different expression and emphasis are given to central principles: initiating service, the banker as a financial expert, digital transformation, as well as a "skills basket" of the future labor market. Among the skills are: data management, interpersonal skills, subject presentation, innovation, change leadership, etc.

Management study courses are held for different employee grades, the aim of which is to intensify the management and leadership expertise of managers while preparing for the future challenges.

Personnel

The following are details of manpower in the Bank Group in terms of positions[1]

	2025		2024	
	Annual average	Balance at end of the year	Annual average	Balance at end of year
The Bank	**3,225**	**3,173**	3,266	3,216
Subsidiaries	**290**	**288**	289	291
Total at the Bank Group	**3,515**	**3,461**	3,555	3,507

(1) Number of positions include translation of overtime to position, with addition of external manpower which are not bank employees, that provide work services.

The following are details of the annual average (in terms of positions) of the Group's manpower according to supervisory segments of activity:

The positions presented according to segments of activity include position of employees directly employed in the segment and positions of head-office employees at different levels, which the cost of their employment was allocated to the segment. The computation of the said positions is based on the model of cost allocation which the Bank uses, as detailed in note 28 to the financial statements.

	2025	2024
Large business segment	**261**	255
Medium business segment	**139**	151
Small and minute business segment	**791**	831
Household segment	**1,942**	1,943
Private banking segment	**111**	112
Institutional entities	**207**	205
Financial management segment	**64**	58
Total	**3,515**	3,555

Details of cost and salary of employee position at the Bank (in NIS thousands)

	2025	2024
Cost of employee position (excluding bonus)	**470**	452
Cost of employee position (including bonus)	**510**	496
Salary of employee position (excluding bonus)	**313**	306
Salary of employee position (including bonus)	**345**	336

Nature of the human resources

The average seniority of the Bank's employees amounted to 19 years, compares to 19.2 in 2024.

The average age of the Bank's employees was 48.6, similar to 2024.

Employee mobility

In order to reduce as far as possible, the risk and dependency on different office-holders and as part of employees' personal and professional development, the Bank insists on employee mobility within the Bank and on rotation in office of employees. For this purpose, the Bank regularly moves employees in sensitive functions reaching the end of the period in office determined by procedures of the Bank and in accordance with a multi-year rotation plan, according to the type of position and/or personnel requirements and subject to the constraints imposed by the labor agreements at the Bank.

Human resource quality and managerial quality

The enhancement of human resources continued in 2025 via the creation of advanced processes at the different stages of the employee's life at the organization: recruitment, classification and absorption of new employees, the conferral of tenure and new appointments, management development etc.

Management cadres and management development plans

The Bank's management cadre was built up on the basis of the managerial profile and critical core proficiencies. This cadre is used as a means for monitoring employees with managerial potential, for personal planning and development purposes and in order to map qualitative and quantitative gaps. As a result, different tracks for management development have been established during recent years, in order to train managerial reserves for various terms.
The proportion of graduate employees at the Bank amounts to 77%.

Code of Ethics

The Bank's Code of Ethics establishes a mandatory normative framework that ensures responsible, fair, honest, and transparent management of all the Bank's areas of activity. The Code serves as a moral compass for the Bank's employees and managers, and strengthens their commitment to high-quality customer service, while abiding by principles of integrity, fairness, and mutual respect.
During 2025, activities and workshops were carried out for the implementation of the ethical code amongst the employees of the organization, which included, inter alia, round tables meetings (meetings of chosen employees and member of Management), taking place at places representing the values, workshops for the implementation of the values within the organizational culture with the participance of the Bank's employees, disseminate of organizational innovation, community establishment and ethical code courseware.
The Code's core values form the foundation upon which the Bank's operations, as well as its employees' and managers' conduct, are based.
The Code of Ethics values are:

- Doing the Right Thing: Maintaining integrity, transparency, fairness, and responsibility in every interaction, while adhering to applicable law and all applicable procedures and regulations, and protecting the values of dignity and equality.
- Excellence: Continuously striving to improve; promoting lifelong learning; and aiming for the highest standards in service and quality.
- Partnership: Considering all stakeholders' needs and desires, while remaining committed to mutual success.
- Innovation: Fostering creative thinking and finding new ways to improve our work processes, platforms, and services, with the aim of creating an exceptional customer experience.

The implementation of the revised Code of Ethics in 2024 was a major milestone in reinforcing the Bank's values and organizational culture. In this process, professional conferences were held for selected employees and managers, who were entrusted with disseminating and implementing the Bank's values among all the organization's employees, using a methodology that highlights excellence and innovation. An entrepreneurial inter-organizational innovation program was developed, and the program's outputs were integrated into the work plan. In addition, meetings were held to conclude cross-organizational projects; a community was established to strengthen the sense of partnership; and additional activities were carried out to facilitate and reinforce the values' implementation as an element of the Bank's organizational culture.
The Code of Ethics provides clear tools and mechanisms for dealing with ethical dilemmas as they arise from the Bank's operating activities. The clear guidelines, reporting channels, ethics officers appointed by the Bank's management, advice, and an ethical decision-making model- all ensure transparent and responsible conduct that aligns with the Bank's values and with all stakeholders' needs.

Intra-organizational communication

Intra-organizational communication serves as a strategic managerial tool for supporting the Bank's objectives and activities, for assisting in all key processes and events, and for fostering dialog and a sense of connection between employees and the organization. The Bank has placed an emphasis on effective management of intra-organizational communication for the purpose of promoting transparency, increasing the level of employee satisfaction and strengthening the connection between all of the Bank's employees.

Professional instruction and training

The Bank continuously empowers and nurtures its human capital through training and personal instruction and by encouraging excellence. The Bank fosters a culture that facilitates learning, developing professional tools to enhance the Bank employees' capabilities, and continuous performance improvement.

The Bank's training programs highlight fostering and developing capabilities at the individual level and organizational level alike; giving tools and skills to managers of all ranks; and establishing regular procedures to impart and acquire professional knowledge by areas of expertise, regulation, and information security; with a focus on improving overall organizational performance to achieve the greatest professional level and encourage continuous excellence.

In 2025, the Bank continued to develop and reinforce its employees' and managers' required skill sets and future competencies through diverse training on required power skills, such as resilience, innovation and analytical thinking, digital literacy, and emotional intelligence.

The training activities are carried out in a hybrid model, combining in-person workshops and seminars with synchronized digital meetings and e-learning modules. This format facilitates effective and efficient learning through full-day sessions and shorter meetings.

In 2025, the Bank Group conducted 16,907 training days (i.e., 4.8 training days per employee per year, on average), compared to 16,238 days in 2024 (i.e., 4.6 training days per employee per year, on average).

LABOR RELATIONS

The labor relations at the Bank are principally based on collective labor agreements and complementing arrangements, carried out with the New General Federation of Labor, the Union of Clerks and the Union of Managers and Signatories, as the case may be, and do not apply in case of employees engaged under a personal employment agreement.

Collective labor agreements are in effect at the Bank, which link to a certain extent, the employment terms of the clerks, managers and signatories to those agreed upon by the Management of Bank Leumi, the New General Federation of Labor and the unions of Bank Leumi Employees.

Bank Employees, which formerly were Otsar Hahayal employees continue to be represented by the Union of Otsar Hahayal Employees and are entitled to their rights in accordance to agreements that had been in effect at that bank, subject to specific agreements signed with this union, from time to time (such as payroll agreements).

Existing also at the Bank Group are employees' unions that represent employees of Massad Bank and of MATAF.

On July 13, 2023, and on August 16, 2023, the Bank together with the clerks representative committee and the Federation of Labor, respectively, signed collective labor agreements for the years 2023-2026, following the agreement signed at BLL, in 2023.

The agreement stated principles for the payment of a selective supplement to employees for the years 2023-2026. Furthermore, employee social terms and additional benefits have been improved, the model for permanent employment has been modified to that accepted in the banking system, and the number of employees engaged under technological agreements has been increased.

On July 13, 2023, MATAF, the MATAF employee representative committee and the Federation of Labor signed a collective labor agreement for the years 2023-2025. The agreement stated principles for the payment of a selective supplement to employees for the years 2023-2025. Also regularized was the distant work procedure, the number of employees who may be engaged under personal employment agreements has been increased and flexibility has been allowed in engaging outsiders for particular project work.

In December 2023, an agreement was signed in Massad Bank with the employees committee for the years 2023-2027. The salaries of the employees of Massad are linked to the salaries' agreement of Bank Hapoalim and is based on the agreement signed in Bank Hapoalim in August 2023.

On November 19, 2024, a collective agreement was signed with the employee committee of Otsar Hahayal. In the agreement, the payment of salaries increment principals for the years 2024-2026, were determined.

COMPENSATION POLICY IN A BANKING CORPORATION

The compensation policy for officers of the Bank

The General Meeting of Shareholders of the Bank approved on March 1, 2023, a compensation policy for officers of the Bank, for a period of three years, in accordance with Section 267A of the Companies Act and with Proper Conduct of Banking Business Directive No.301A - "compensation policy of a banking corporation" (hereinafter - "the Directive") and within consideration to the Compensation of Officers of Financial Corporation Act (Special approval and the non-deductibility tax wise of exceptional compensation), 2016 (hereinafter - "the Compensation Act").

For additional details, see the Immediate Report by the Bank dated January 24, 2023 (Ref. No. 2023-01-009553).

On March 4, 2025, the Shareholders Meeting of the Bank approved amendments to the compensation policy for officers of the Bank. For additional details see the Immediate Report by the Bank dated January 28, 2025 (Ref. No. 2025-1-007371).

On March 4, 2026, the Shareholders Meeting of the Bank approved the compensation policy for officers of the Bank for an additional period of three years, in accordance with Section 267A of the Companies Act and with the Directive, and taking into consideration the Compensation Act. The policy includes also provisions relating to the annual award for 2025. For additional details, see the Immediate Report by the Bank dated January 27, 2026 (Ref. No. 2026-01-010114).

The content of this report is included herewith by way of reference. The compensation policy for officers of the Bank contains provisions considering the Directive, as amended from time to time, and the Compensation Act.

Employee compensation policy

In accordance with Proper Conduct of Banking Business Directive No.301A - “compensation policy of a banking corporation" (hereinafter - "the Directive"), in June 2023, the Bank approved, after the passing of three years from the previous approval, an updated compensation policy for all Bank employees, including central employees, as well as principles for the Group’s compensation policy, with the compensation policy for officers forming a part thereof. As part of the compensation policy for employees, rules were determined for the compensation of employees and of central employees, including in accordance with the Directive as amended from time to time, as well as instructions regarding the allocation of responsibility among the relevant functions at the Bank engaged in the compensation mechanism. Moreover, within the framework of the Group’s compensation policy, principles were determined regarding the fixed compensation and the variable compensation for officers of the controlled companies, taking into account also the principles of the compensation policy for the officers in the Bank.

For further disclosure in the matter of compensation, see the document "Disclosure according to Pillar III of Basel and additional information regarding risk", available on the Internet.

MATERIAL AGREEMENTS

Apart from the agreements in the ordinary course of business, the agreements detailed below, which were signed in 2025 and/or were signed previously and are still binding on the Bank, are likely to be considered as material agreements not in the ordinary course of business:

1. Collective Labor Agreements:
   There are two employees' organizations at the Bank - the clerks' organization, and the managers and authorized signatories' organization.
   The following is a summary of the principal agreements signed with the two employees' organizations:
   - A collective agreement of November 19, 1975 between the Bank's management and the National Organization of the Association of the Managers and Authorized Signatories of the Bank regarding the linkage of salary conditions and related work conditions as practiced with respect to authorized signatories at Bank Leumi Le-Israel Ltd. On November 12, 2000 a special collective agreement was signed. The agreement stipulated employees' obligations and rights, inter alia, concerning mobility between functions, overtime policy, annual vacation, recreation pay, sick leave, maternity leave, studies, dismissal and resignation and severance pay (labor statute).
     Apart from these agreements, specific agreements are signed from time to time between the Bank, the said organization and the General Federation of Labor with respect to specific subjects.
   - A collective agreement of October 25, 1974 between the Bank's management and the national organization of the Bank's employees concerning the receipt of related payments such as are received by the employees of Bank Leumi le-Israel Ltd. There is also a special collective agreement from that year which determines the obligations and rights of employees, inter alia, concerning mobility between functions, overtime policy, annual vacation, recreation pay, sick leave, maternity leave, studies, dismissal and resignation and severance pay (labor statute). In addition to these agreements, specific agreements are signed from time to time between the Bank and the said organization with respect to specific subjects.

   The Bank's employees, which formerly were Otsar Hahayal employees continue to be represented by the Union of Otsar Hahayal Employees until such time when a new collective labor agreement, regulating their integration into the labor agreements in effect at the Bank, is signed.
   Existing also at the Bank Group are employee unions that represent employees of Massad Bank and of MATAF.
2. Indemnification and exemption for officers of the Bank and its subsidiaries - see Note 25C to the financial statements.
3. Deeds of trust and guarantees relating to the issue of bonds, subordinated debt notes and subordinated capital notes.
   First International Issues Company Ltd., a wholly owned subsidiary of the Bank, concluded deeds of trust in connection with the issue of bonds, subordinated debt notes and subordinated capital notes of different series issued by First International Issues, in accordance with prospectuses in public or private placements.
   Agreements were signed between First International Issues and the Bank, according to which, concerning issues whose proceeds are placed in deposits or subordinated deposits with the Bank at terms identical to the terms of the debt notes, part of which with the addition of a commission, the Bank is committed to bear all payments due to the holders of the debt notes, including the repayment of principal and payments of interest.
   The total revaluated value of the debt notes that were issued under the said deeds of trust, whose proceeds were deposited at the Bank, and which are held by the public, amounted to NIS 4,344 million on December 31, 2025 (including linkage increments, accrued interest, issue expenses, discounting and premium).
4. Arrangements concerning matters connected with the capital market - a notification which the Bank sent on August 1, 1984 to the Supervisor of Banks at the time, concerning a number of restrictions which the Bank took upon itself in connection with its activity in the capital market.
5. Pledge of the Bank's assets to clearing houses in Israel and abroad and to foreign banks and brokers - see Note 26 to the financial statements.
6. Pledge to the benefit of the Bank of Israel - see Note 26 to the financial statements.
7. Mutual guarantee for the MAOF Risk Fund and a risk fund that was established by the stock exchange - see Note 25.D and 25.E to the financial statements.
8. Agreements for joint issuance of debit cards with the credit cards companies- see note 25.L to the financial statements.

LEGISLATION AND REGULATORY INITIATIVES

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

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

Nothing in the contents of this Chapter derogates from that stated in other Chapters and Sections of this Report, where there exists additional reference to provisions of the law and to regulatory initiatives as described below or to other, in particular, to that stated in the Chapter "Leading and developing risks" regarding the large number of regulatory initiatives relevant to the banking system introduced in the recent period.

OPERATION "ROARING LION"

Against the backdrop of Operation "Roaring Lion ", which began on February 28, 2026, and its implications for the economy in Israel, and in order to assist the banking system and its customers in coping with the challenges of the situation, on March 2, 2026, the Supervisor of Banks published the draft Proper Conduct of Banking Business Directive No. 253 - Adjustments to Proper Conduct of Banking Business Directives for the purpose of dealing with Operation "Roaring Lion " (Temporary provision), which includes a proposal for relief in various areas, similar to the relief granted within the framework of Proper Conduct of Banking Business Directive No. 252 for the purpose of dealing with Operation "Rising Lion", which are detailed below.

In addition, on March 1, 2026, a letter from Bank of Israel was published regarding "Focal points for the Banking System by the Supervisor of Banks following Operation "Roaring Lion", which reiterated and sharpened the supervisory expectation in view of the situation, as expressed in Bank of Israel letters, detailed below, regarding focal points for the banking system by the Supervisor of Banks following the "Swords of Iron" war and following Operation "Rising Lion", including regarding the availability and continuity of banking services, assistance and response to customer inquiries in light of the Operation, with an emphasis on urgent inquiries and inquiries on a humanitarian basis, assistance to customers whose return to Israel is delayed due to the situation, burden relief and assistance to customers in meeting their obligations, branch activity during emergencies, telephone service to customers, cyber aspects and customer fraud, and more.

At the same time, the Supervisor a issued a guideline to the banking system, requiring it to open at least the core branches (25% of the branch count, in an appropriate geographical distribution).

OPERATION "RISING LION"

On the background of the "Rising Lion" Operation that started on June 13, 2025, and its implications on the Israeli economy, and in order to assist the banking system and its customers to cope with the challenges of the situation, The Supervisor of Banks and other Regulators issued directives, reliefs and guidelines, the principal of which are stated hereunder:

Proper Conduct of Banking Business Directive No. 252 – Adjustments to Proper Conduct of Banking Business directives in order to cope with Operation "Rising Lion" (Temporary provision)

The Directive, published on June 24, 2025, and which was in effect until July 24, 2025, included reliefs the essentials of which are stated below.

- Adjustments were made, the aim of which was to allow the Commissioner of Public Complaints in a banking corporation to focus on urgent inquiries, in particular those made by injured customers and customers encountering financial difficulties on backdrop of the situation.

- The limitation on an initiated approach for the marketing of consumer credit was removed during three months from the date on which the customer refused a similar offer in the past.
- Amounts for deviations have been fixed in accordance with the class of customer, regarding which the banking corporation is allowed not to determine and agree in advance and in writing the facility within one business day, provided that the banking corporation will act to regularize the amount of the facility as early as possible.
- A banking corporation is authorized to use the online banking channels for sending to customers, who are not party to an online banking agreement, notices having a material impact, provided that urgency exists in delivery of the message to the customers.
- The possibility of adopting alternative identification measures upon providing payment services for beneficiaries of the service has been expanded to higher amounts under certain conditions.
- The period for handling a customer's request to close an account has been extended to ten days from the date on which the customer had completed all actions required from him in accordance with the Directive.
- Different dates have been extended in connection with the granting of housing loans (issue of letters of intent, confirmation of settlement, notices of creating insurance on behalf of the bank in cases where the provided insurance policy does not meet the requirements of the bank, and confirmation of a second-degree pledge on property in favor of another party). An obligation has been added to examine the possibility of extending the effective period of principal confirmations that had been in effect at the start of the Operation, taking into account the circumstances and need, and at the discretion of the banking corporation.
- It has been determined that the customer's signature would not be required for the purpose of deferring payments according to the assistance outline of the "Rising Lion" Operation, provided that a documented consent of the customer is obtained.
- Relief has been granted with respect to obtaining the borrower's signature where, due to the Operation, he is unable to sign the housing loan documents, subject to signing of the loan documents by the other borrowers, as required.

Bank of Israel outline adopted by the banks, intended to assist customers with coping with the implications of the "Rising Lion" Operation

For details of the reliefs outline, published on June 17, 2025, see the effect of the "swords of Iron" War and the "Rising Lion" Operation in the Directors' and Management's Report.

Bank of Israel letter in the matter of "the Supervisor of Banks' focal points for the banking system following the "Rising Lion" Operation"

The letter dated June 17, 2025, reiterated the expectation of the Supervisor in view of the situation, as expressed in the letter of Bank of Israel, detailed hereunder, regarding the Supervisor's focal points for the banking system following the "Swords of Iron" War dated October 12, 2023. At the same time, the Supervisor delivered a guideline to the banking system, according to which it is required to open at least the core branches (25% of the total number of branches according to a proper geographical distribution).

No enforcement position – pension consultation services by a banking corporation provided not in the branches of the bank, to existing customers of the pension consultation field

In accordance with the position, published on June 19, 2025, the Capital Market, Insurance and Savings Authority will not enforce the prohibition on providing consultation services outside a bank's branches where the pension consultation is provided by digital means or by telephone to customers who prior to the notice were existing customers of the banking corporation in the pension consulting field. The position was in effect until June 30, 2025.

Officer in charge of sharing credit data

- In accordance with the guideline of June 18, 2025, regarding sources of information which are providers of credit and which report to the data base, to extend the period of time required before reporting default in repayment of loans, so that a default in repayment shall be reported to the data base only after 60 days have passed from the date on which the unpaid amount was created. The guideline applies to reports in respect of the months from June to August 2025.
- In accordance with the Amendment dated July 2, 2025, of Directive No, 502 in the matter of correction of information in the credit data system, sources of information were granted relief regarding the periods of completing the handling of applications by customers for correction of the data delivered to them by Bank of Israel, and this in relation to a certain ratio of such applications. The Amendment applies to customers' inquiries as from June 1, 2025, and shall remain in effect until August 31, 2025.

THE "SWORDS OF IRON" WAR

Since the murderous attack on Israel by the Hamas terror organization on October 7, 2023, and the outbreak of the "Swords of Iron" War which followed, and in order to provide assistance to customers and to the banking system to face the challenges of this situation, the Supervisor of Banks and other Regulators have published directives, relief measures and guidelines regarding many matters, the principal of which, are as follows:

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

The Provisional Instruction is updated from time to time in accordance with requirements. As a general rule, the Provisional Instruction will remain in effect until March 31, 2026, except for the concessions regarding the financing of the construction of a protected area or of improving protection in a residential apartment, in respect of which a separate effective period was determined. The last updated version was published on December 31, 2025, containing the main concessions still in effect, stated below:

- A loan for the purpose of constructing a protected area or for improving protection in a residential apartment under determined terms, the amount of which does not exceed NIS 200,000, has been exempted from certain limitations on the granting of a residential loan.
- A banking corporation is authorized to approve a residential loan which is not intended for the purchase of a right to real estate, of up to a financing ratio of 70% (instead of 50%), on condition that the amount of the loan in excess of a financing ratio of 50% shall not exceed NIS 200,000.

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

For details of the concessions outline, published on October 15, 2023 and extended and updated several times, the last of which was on December 3, 2024, see the Board of Directors and Management Report.

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

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

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

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

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

BANKING

Proper Conduct of Banking Business Directive No. 412 – Providing service to customers in the Context of Sanctions Regimes

The directive was published on December 30, 2025, against the backdrop of the increasing use in recent years of various types of economic sanctions as a leverage of pressure and deterrence in the international arena, by foreign countries, intergovernmental organizations, and various international organizations.

The Directive clarifies the obligations imposed on banking corporations for effective risk management, including establishing policies and procedures regarding the manner in which sanctions lists will be used, alongside obligations for providing banking service to customers.

In accordance with the Directive, the risks arising from sanctions regimes should not be managed by way of a blanket avoidance in advance of providing services to customers affected by them. However, a refusal to provide service to a customer, due to the implementation of a risk management policy in accordance with the Directive, will not be considered an unreasonable refusal for the purposes of the Banking (Customer Service) Act, 1981.

Banking Act (Customer service) (Amendment No. 38), 2024

In accordance with the Amendment, published on May 14, 2025, a bank will allow a customer to deposit funds in a NIS monetary deposit by means of an account in a closed system, in a simple and convenient way, inter alia via online services. The Supervisor of Banks is authorized to expand this obligation also to foreign currency deposits. In addition, the receiving banking corporation shall handle on behalf of the customer wishing to deposit funds by way of an account in a closed system, all the processes required for depositing funds in the deposit, and will advertise information to the public regarding this service, in the manner in which it usually advertises information regarding the services it provides. The transferring banking corporation shall not do anything that may cause unfair influence upon the customer in any matter relating to the deposit of funds with another bank. Violation of the provisions of the Act may result in the imposition of a punitive fine as well as a monetary sanction. The Supervisor is authorized to issue data regarding the quantity of deposits deposited with each of the banks by way of a closed system account. The Amendment will enter into effect on December 1, 2025.

Banking Act (Customer service) (Amendment No. 39), 2024

In accordance with the Amendment, published on May 21, 2025, a bank has the obligation to notify its customers, who are individuals, regarding a credit balance on their current account in an amount exceeding NIS 15,000, if this balance exists in their accounts during a consecutive period of at least one quarter. The notice must include reference to information regarding investment alternatives that might produce for the customer a higher yield than leaving the amount on current account. The notice is to be delivered at the beginning of each quarter, except during the period of 18 months since the Amendment takes effect, in which the notice is to be delivered at the beginning of each month in respect of the previous month. The Amendment also includes provisions regarding the manner of delivery of the notice, and states that violation of the provisions of the Act may result in the imposition of a punitive fine as well as a monetary sanction. The Amendment will enter into effect at the end of six months from its publication date.

Draft in the matter of reform proposed by the Supervisor of Banks regarding commissions charged to households and small businesses with respect to payment accounts and immediate debit card management services

The main subject of the proposed reform, published on July 15, 2025, deals with the establishment of a new service of "payment account management" and the maximum controlled price thereof – commission that will not exceed a monthly amount of NIS 10 for 100 transactions per month, which include the prevalent services determined in the Banking Rules (Customer service) (Commissions), as well as additional services to be determined by Bank of Israel. In respect of each additional transaction a commission of NIS 1 will be charged. The relevant customers will automatically be attached to this service, and it will replace the existing track services. In addition, the Draft states a controlled price of NIS 5 per month as commission for an immediate debit card.

Updates of Proper Conduct of Banking Business Directive No. 203 – "Capital measurement and adequacy – standardized approach – credit risk", and of Proper Conduct of Banking Business Directive No. 329 – Limitations on the granting of housing loans"

The updates were published on April 6, 2025 as a temporary provision, and will be in effect from this date ("the date of commencement of the update") until December 31, 2026. The Supervisor of Banks will subsequently examine the need to extend the temporary provision.

In accordance with the update to Proper Conduct of Banking Business Directive No. 329, since the Supervisor of Banks believes that contractor-subsidized Balloon and Bullet loans (loans in which the developer pays the interest payments, in whole or in part, either at the time of the loan or during its course) ("Loans") are loans with a high risk potential, for both buyers and developers, the scope of these loans will be limited, so that the performance rate (as defined in the Supervisory Reporting Directive No. 876 - Monthly Report on Housing Loans) applying to them will not exceed 10% of the total performance in a calendar quarter for housing loans (excluding "any purpose" loans secured by a residential apartment). The aforementioned limitation will not apply to performance for loans for which the Bank has given in-principal approval before the effective date of the update.

In accordance with the update to Proper Conduct of Banking Business Directive No. 203, credit (on- and off-balance sheet) provided as part of a finance agreement for a residential construction project, in which the proportion of contracts for the sale of an apartment in which payment of an amount exceeding 40% of the sales price is deferred until the delivery date ("contracts with non-linear payment"), exceeds 25%, is to be weighted at a risk rate of 150%. With regard to existing projects at the effective date of the update, in which the proportion of contracts with non-linear payment exceeds 25%, the credit will be weighted at 150%, only if the proportion of contracts with non-linear payment increases by an additional 5% from the proportion at the effective date of the update.

Proper Conduct of Banking Business Directive No. 313 – Large Exposures

The Directive, published on February 3, 2025, replaces the existing Directive on the subject of "Limitations on the Liability of a Borrower and a Group of Borrowers", and aims to limit the maximum loss that may be incurred by the banking corporation in the event of the default of a counterparty or a group of related counterparties.

The Directive defines limits on the banking corporation's exposure to a counterparty and a group of related counterparties, determines the method by which the amount of the exposure should be measured, and the recognized techniques for reducing the amount of the exposure.

The Directive will come into effect on July 1, 2026, however, the banking corporation may implement this Directive in its entirety before the effective date.

Proper Conduct of Banking Business Directive No. 364 – Management of Information Technology Risk, Information Security and Cyber Protection Risks

The Directive, published on November 18, 2024, with the aim of adapting the regulatory framework for managing technological risks to the changing technological environment, changing threats and internationally accepted regulation, establishes principles for the proper and effective management of information technology risks and proper protection of the banking corporation's information assets, while minimizing the events in which a technological risk is realized and there is a violation of the confidentiality, integrity or availability of information assets. The Directive refers, among other things, to aspects of corporate governance, processes for managing information technology risks and information security risks and cyber protection, managing technological failure events and information security, managing risks with third parties and business continuity, and reporting to management, the board of directors, and the Supervisor of Banks. The Directive replaces Proper Conduct of Banking Business Directives No. 357 - Information Technology Management, No. 361 Cyber Protection Management, and No. 363 Cyber Risk Management in the Supply Chain.

The Directive will enter into force 18 months from the date of its publication, however, with regard to contracts concluded before this date – its commencement will be on the date of renewal of the contract and no later than three and a half years from the commencement date. A banking corporation will be entitled to act in accordance with the Directive at a date earlier than the commencement date, provided notice thereof is given to the Supervisor 30 days in advance.

Banking Rules (Customer service) (Commissions) (Amendment no. 2), 2025

As part of the Amendment that was published on April 9, 2025, chapter 15 was added to the full price list of Bank of Israel, in respect of assemblage of financial data of a customer and its analysis, which will enable banking corporations to charge and collect commission in respect of the service of assemblage of financial data of a customer and its analysis, in accordance with details as determined by the banking corporation.

Banking Rules (Customer service) (Commissions) (Amendment), 2024

As part of the Amendment that was published on July 31, 2024, the definition of a "small business" was updated, changes were made to credit and collateral handling commission, a commission was added regarding a bank guarantee in respect of a rental agreement for a residential apartment secured by a specific monetary deposit. Also added was a commission regarding the service of automatic coverage of a debit balance on a foreign currency account.

The Amendment entered into effect six months from date of publication.

A draft amendment of the Banking Rules (Customer service) (Commissions), 2008, was published on January 25, 2024, in which the following principal changes are proposed:

- Update of the manner and date for the charging of securities deposit management fee commission, so that such a commission would be charged in fixed shekel amounts in respect of each of the following classes of securities: securities traded in Israel (taking into account the two levels deriving from the value of the deposit), securities traded abroad and securities not traded on a stock exchange. The charging date for the commission would be the beginning of a month in respect of the previous month.

- Possibility for charging a commission in respect of investment consultation services, determined as a percentage of the value of the securities deposit at the beginning of the year, to be charged at the beginning of the service in respect of a full year (or pro-rata for the period of the securities consultation service in case of a period shorter than one year).

Proper Conduct of Banking Business Directive No. 447A – Publication of concise information about Money Market Funds and Treasury Bills (MAKAM)

The purpose of the Directive, published on April 9, 2025, is to increase customers' exposure to existing and new Money Market Funds and to Treasury Bills, and to enhance their comparability and competition in the financial system. The Directive stipulates that, with the publication of the information required in accordance with Proper Conduct of Banking Business Directive No. 447 below, information about Money Market Funds and Treasury Bills will also be published in a uniform format. In addition to the centralized publication of information about deposits, Money Market Funds and Treasury Bills, in a manner that does not create a preference for a particular product, the banking corporation is required to present a clear explanation about the process of purchasing Money Market Funds and Treasury Bills, in a manner that will allow customers to carry out the purchase in a convenient and simple manner. The Directive entered into force on October 19, 2025, except for the sections dealing with the presentation of personal information to the customer and the requirement to present the centralized publication on the public website, which will enter into force 10 months from the date of publication of the Directive

Proper Conduct of Banking Business Directive No. 447 – publication of interest rates on deposits and on current account credit balances

The Directive, published on May 20, 2024, establishes rules and a uniform structure for the presentation of information to the public regarding interest rates on deposits and on current account credit balances, with a view of increasing transparency and encouraging competition. In accordance with the Directive, a banking corporation is required to advertise in a centralized manner the minimum interest rates on accepted shekel deposits and on credit balances on current accounts, which the bank undertakes to pay to its customers, in the version and structure stated in the Directive. In addition, and separately, a banking corporation has to present information regarding the classes of additional deposits being offered by it. The centralized publication should also be presented on the Application of the banking corporation. In addition, a search mechanism has to be offered to customers on the Internet website and on the Application, that will allow obtaining focused and effective information regarding the types of deposits offered by the bank. The Directive entered into effect on April 1, 2025.

Proper Conduct of Banking Business Directive No. 345 – Principles for the effective management of climate related financial risks

The Directive was published on June 12, 2023, on background of the increasing awareness in Israel and globally to the existence and scope of financial risks stemming from the potential damage of climate related events and processes, and with a view of strengthening the financial stability of the banking system with respect to climate risks. The Directive is based on a document issued by the Basel Committee in June 2022, and states twelve principles for the effective management of climate related financial risks. The principles involve aspects of corporate governance, framework of internal control, capital adequacy and liquidity, risk management procedures, monitoring and reporting, comprehensive management of credit risks, market, liquidity, operating risk and other risks, and scenario analysis.

In accordance with the Directive, it takes effect at the end of 24 months from date of publication. However, on June 17, 2024, Bank of Israel published a circular, according to which, the effective date for the implementation of the Directive would be deferred to June 12, 2026.

CAPITAL MARKET

Proper Conduct of Banking Business Directive No. 461 – Activity of a banking corporation as a broker/dealer

The Directive, published on July 19, 2023, regularizes the activity of banking corporations in the field of financial brokerage – receipt and transfer of instructions involving securities and foreign currency derivative transactions (excluding SPOT transactions) on behalf of customers, both in their role as brokers and also by way of trading on their own account. The Directive is intended to protect investors, while maintaining efficiency, fairness, transparency and minimizing risk. In its role as broker/dealer, a banking corporation is required to implement proper principles of corporate governance, risk management, control and internal audit, including where the activity is conducted in dealing rooms. The Directive is based upon global standards originating in European legislation for securities activity – Mifid II – and the FX Global Code principles, as well as on fiduciary and care duties applying to banking corporations. The main duties applying to banking corporations within the framework of the Directive, are: determination of a policy regarding the execution of instructions, customizing the operations for the particular customer, qualification and suitability of the staff involved in the operations, code of conduct, documentation requirements, providing information to the customer and obtaining information from him, proper disclosure regarding the conflict of interest and implementation of control over the operation.

The Directive took effect on August 1, 2025, with the removal at the same time of Proper Conduct of Banking Business Directive No. 461 (in its previous version) in the matter of securities activity of a banking corporation on account of its customers, as well as Proper Conduct of Banking Business Directive No. 419 in the matter of the safekeeping of documents.

The interim report of the team on the reduction of gaps between short and medium-term savings instruments

The interim report of the team established by the Ministry of Finance was published in February 2025 and proposes, among other things, to eliminate tax arbitrage between short and medium-term savings instruments and apply a uniform tax benefit to them as well as a ceiling for deposits, to create a centralized platform for viewing and managing all of savers' savings and investment instruments, which will constitute a user interface for both savers and the brokers and advisors who provide them with services, to create a remuneration model that creates an identity of interests between the broker and the saver, and to require the broker to hold an appropriate consulting license for all of the savings and investment instruments presented on the platform.

Interim Report for obtaining public comments - compensation models in the public's activity in securities

The Interim Report by the combined work team (consisting of Bank of Israel, the Securities Authority and the Budget Division of the Ministry of Finance) was published on September 21, 2025. The Report proposes an outline for updating the compensation model, making it more transparent and easier to compare for customers, as well as improve the matching between the service and the compensation and the competition between the different players. The Report includes, among other things, establishment of a fixed monthly shekel deposit management fee mechanism according to tiers, addition of a designated investment consulting fees, charging purchase and sale commissions in respect of active and passive mutual trust funds, and more.

THE PAYMENTS AREA

Regulation of Engagement in Payment Services and Initiation of Payments Act, 2023

The Act was published on June 6, 2023, with a view of regularizing engagement in payment services and the initiation of payments, and enabling nonbanking factors to enter this market and develop therein. According to the Act, engagement in "payment services" shall require obtaining a "Payment company" license issued by the Securities Authority, excluding exempt entities, which include banks. "Payment services" include clearing of payment transactions, issuance of means of payment, management of a payment account and advanced initiation service (in advanced initiation, the customer empowers the initiator to deliver payment orders on his behalf with no need for the customer to confirm the payment order to his payment account manager). Engagement in basic initiation will require another license having mitigating requirements (in basic initiation, the initiator enters details of the customer's instructions and the customer is required to confirm the instructions to the payment account manager). The existing credit card companies are required to hold a license applying to "provider of payment services having a stabilized importance", with licensing and supervision in their respect being, generally, effected by Bank of Israel.

The Act establishes also the "duty of linkage" - "Provider of services for the transfer of funds between individuals" (at the present time, only payment applications agree with the definition stated in the Act), having a "wide scope of operation" (whose share in the receipt/transfer of funds in this way exceeds 20%), is required to enable customers, being individuals, to receive or transfer funds from/to another payment application, based on an identifying item. In addition, a payment account manager for a beneficiary, must enable the customer to receive funds from a payer being a customer of another bank or another payment application, based on an identifying item (excluding where the payment account manager has a small scope of operation, and in case of a bank or an auxiliary corporation - has an asset value not exceeding 5% of the total asset value of all banks in Israel).

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

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

The Act entered into effect on June 6, 2024, with the exclusion of certain items, among which are items relating to the advanced initiation duty that is expected to enter into effect in June 2026.

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.

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 inquiries by customers and the reports required by the Supervisor.

The Directive has been amended several times, following the enactment of the Financial Information Service Act, 2021, and the Regulation of the Practice of Payment Services and Initiation of Payments Act, 2023.
As to the matter of providing information to third parties - all the effective dates stated in the Directive have, gradually, entered into force, until full implementation on April 14, 2024.
As to the matter of initiation of payments - in accordance with Regulation of Practice Act, initiation of a single payment and the initiation of setting-up/ cancellation of an order to charge an account, entered into force in December 2024. However, as to an order to charge an account, Bank of Israel issued on April 22, 2025, a Technological Standard, and as part of it, noted that it is aware that the banking system could not comply with the access duty applying to it prior to the publication of the Standard and also of the short time-schedule for its implementation, which will be taken into account by it in the monitoring of the implementation process by the banking system, and that no enforcement measures will be applied against banking corporations that would not complete the development of the Standard in the period of six months from the date of publication thereof.
On November 2, 2025, the basic initiation of additional transfers entered into force, among which are: a single payment in foreign currency, a future payment in shekels and in foreign currency and R2P transfers.

INCREASE OF COMPETITION

The summing-up report of the team to examine measures to increase competition in the banking system for the retail sector ("The team")

was published in August 2025, by the team appointed in November 2024, following the publication of the interim report of the team to examine an outline for granting a bank license to non-banking entities.
In order to expand the number of players in the banking system, to contribute to the increase in competition and to bring about the expansion of and reduction in cost of the banking services basket to the retail sector, the team recommended allowing all potential players to apply for a banking license, using the proposed licensing outline that would allow new players gradual development within the banking system. Under the proposed outline, control by a non-financial company of an entity wishing to obtain a banking license would be permitted, subject to the provisions of the Promotion of Competition and Reduction in Centralization Act, 2013. The control by a financial holding company, which controls an institutional entity, of an entity wishing to obtain a banking license would also be permitted, subject to its meeting the assets limitation (the holding of up to 2.5% of the amount of total assets of the banking system, and up to 5% of this amount, with the approval of the Minister of Finance and the Governor of Bank of Israel). A bank which is controlled by a financial holding company, that comply with the assets limitation detailed above, will not be permitted to engage in consultation, brokerage or marketing of investment, insurance or savings instrument.
Within the framework of the recommended licensing outline, it is proposed to adopt a flexible business model for a small bank (whose assets do not exceed 5% of the assets of all banks in Israel and who do not belong to a banking group whose assets exceed 5% of the assets of all banks in Israel - a "small bank"), and, among other things, to exempt it from the obligation to offer the full range of services specified in Section 2 of the Banking Act (Customer Service), to allow it to focus its main activity on accepting deposits and granting credit to the retail sector, to open and manage current accounts and offer within them only one or more of the existing payment and banking services, and to authorize the Supervisor of Banks to permit it, for a limited period of time for the purpose of preparation, not to provide services to a specific customer segment for which expertise and investment of significant resources are required.
It is also recommended to allow the expansion of the activities permitted for a small bank, so that non-banking entities that receive a bank license, whose activities are currently not restricted by legislation, will be able to maintain the activities they are already engaged in even after receiving a bank license, as well as the adaptation of the business model of small banks to the developing and changing environment and compete more effectively with new local and international players. Flexibility would also be granted to the Supervisor of Banks to add new activities and business lines for small banks in accordance with developments in the financial system, excluding in the insurance and provident funds sectors, where only

brokerage activity would be permitted. The expansion of activities for a small bank will include at least the list of activities listed in the Supervisor's document on areas of operation and permitted activities of clearing agents, and will not replace the licensing obligation in relation to the same activity to the extent that such an activity exists under another law or the limitations set out in legislation in relation to the activities of banks.

The recommended licensing outline includes three levels of supervisory and regulatory policy, which will apply to the entire banking system, including existing banks, according to the scope and complexity of their activities, in the areas of stability, corporate governance, risk management, consumer areas of bank-customer relations and fairness, and reporting provisions to the Supervisor of Banks and the public.

The Supervisor of Banks will formulate a proportionate supervisory and regulatory policy that would apply to the entire banking system, including existing banks and new banks, which previously had operated as non-banking entities, which would be implemented in accordance with the principles of proportionality (adapting regulation to the scope and complexity of the activity) and gradualism (postponing the implementation of certain regulatory provisions for a predefined period).

The report includes recommendations on a number of additional supplementary issues required, according to the team, to increase competition in the banking system and in banking services for the retail sector, among other things, in the matter of regulating the supervision over holding companies; amendment of the Banking Act (Licensing) so that the holder of means of control in a small bank would be required to obtain a holding permit only if he holds over 10% of any class of means of control, so long as there exists a controlling shareholder in the bank; amendment of the Supervision over Financial Services Act (Consultation, marketing and a pension clearing system), 2005, so as to permit banks to engage in digital pension consulting; granting automatic exemption from obligations of open banking and from the obligation of mobility among banks for the first three years of operation of a new bank; granting exemption from the provisions regarding adherence to the pricelist stated in the Commission Rules for the first five years of operation of a new bank; promoting the possibility to rely on a third party as regards implementation of duties of identification and knowing the customer in accordance with the Money Laundering Prohibition Order, and more.

The team is of the opinion that a change in the rationale found at the basis of Section 20A of the Banking Act (Licensing), 1981, should be avoided, and refrained from issuing a recommendation regarding this issue. This, because the process of sale of the holdings of Discount Bank in ICC is not yet finalized and in order to avoid influencing the commercial aspects of the process of sale.

Bank of Israel published on June 23, 2025, a draft "road map" – adjustment of the Directives of the Supervisor of Banks to the supervisory gradings – a graded license, which includes, among other things, establishment of fixed supervisory gradings, a period of preparation for new banks, centralizing principles for regulation adjusted to the supervisory gradings and adjustments to Proper Conduct of Banking Business Directives, and on February 8, 2026, Bank of Israel published a draft Proper Conduct of Banking Business Directive on the subject of a supervisory framework for small and new banks, which seeks to adapt the required regulation to the size of the banking corporation and its systemic importance. The adjustments are reflected in the provisions on capital, liquidity, corporate governance, risk management, fairness, bank-customer relations, and more.

The Economic Plan Bill (Legislation amendments for the implementation of the economic policy for the 2026 budget year), 2026

The Bill was published on January 19, 2026, further to the Report stated above, and was approved by the Knesset on first reading on January 28, 2026.

The main points of the Bill include, among other things, addition of definitions "small bank" and "microbank" to the Banking Act (Licensing), 1981 and to the Banking Act (Customer service), 1981 – a "small bank" would be a bank the value of its assets does not exceed five percent of total assets of banks in Israel, and a "microbank" would be a bank the value of its assets does not exceed two and one-half percent of total assets of banks in Israel; cancellation of the following types of licenses: mortgage bank, investment financing bank, advancement of business bank and financial institution; authorizing the Supervisor of Banks to broaden the list of lines of business permitted to a small bank, with the aim of allowing off-bank

entities to apply for a bank license to continue engaging in the lines of business operated by them prior to obtaining a bank license and compete more effectively against the other players in the system; permitting parallel control of a microbank and of institutional bodies; regarding a small bank, whose assets value does not exceed five percent of the assets value of the banking system in Israel, the controlling interest therein being an individual, a holding permit by the Governor of Bank of Israel would be required only with respect to a holding exceeding ten percent; a small bank, a microbank and an auxiliary company controlled by any of them would be exempted from the provisions of Section 2 of the Banking Act (Customer service), 1981; authorizing the Supervisor of Banks to grant to a small bank, a microbank and to an auxiliary company controlled by any of them relief or exemption from the application of proper disclosure rules; granting exemption from mobility requirements (online transfer of financial activity of a customer between banks) during the first three years from the date on which its bank license entered into force; exemption from the application of the commission rules during the first five years since the entry into force of the license of a new bank, which ,as an alternative, it may offer its customers during this period commission models that are not included in the rules; granting an automatic exemption to new sources of information, for different periods and under various terms, from the obligation to allow access to financial information about a customer, which applies in accordance with the Financial Information Service Act, and from the obligation of new managers of payment account of a payer to allow access to the initiator of a basic and advanced payment to the payment account of the payer; granting exemption from the application of the provisions of the Compensation of Officers Act to a small bank during the period of ten years since its license entered into force; exclusion from the provisions of Section 7(c2) of the Regulation of Engagement in Investment Consulting Act of whoever controls a microbank and of whoever is controlled by whoever controls a microbank, so that such entities would be able to obtain an investment marketing license; exclusion from the provisions of Section 28a of the Supervision over Financial services (Insurance) Act, 1981, of whoever controls a microbank and of whoever is controlled by whoever controls a microbank and of an individual employed by them, so that these entities may hold an insurance broker license in the pension insurance sector and a pension marketing agent license; it is proposed that during the period of four years beginning on April 1, 2027, a bank having a wide scope of operations or a bank that held means of control in an operating company immediately prior to the effective date of the Increase in Competition and Reduction in Concentration in the Banking Market in Israel Act (Legislation amendments), 2017, will conduct the issuance operation of charge cards issued by it by means of an operating company, and will allow such company to be a party to the charge card agreement, in addition, a bank as above will also be forbidden from conducting the issuance operation of over 40% of new charge cards issued by it to its customers by means of one operating company. In calculating the 40%, credit cards issued under a credit card agreement signed before April 1, 2027, as well as the renewal of credit cards issued as stated above, would not be taken into account. The Minister of Finance, with the consent of the Governor of Bank of Israel, will be authorized to extend the above transition period and change the determined rate, and more.

The Economic Efficiency Bill (Legislation Amendments to Achieve Budget Goals for 2026), 2026

As part of the Bill, which was published on January 19, 2026 and approved by the Knesset on first reading on January 28, 2026, it is proposed to establish the Special Tax on Bank Profits Act for the Years 2026 to 2030 (Temporary Provision), 2026, according to which a bank that does not have a small scope of activity will pay an additional profit tax at a rate of 15% on its profits exceeding 50% of its average profits as they were in the base period, that is, in the years 2018-2022. Such tax will be in addition to any other tax or mandatory payment imposed on the bank. It is further proposed that the Act will enter into force in April 2026, and in this year the tax will apply according to the proportional part of the year in which the Act was in force, and will apply until 2030.

Letter of the Competition Authority, dated March 26, 2024, regarding a hearing prior to the determination of a "concentration group" and the issue of instructions ("the letter")

In accordance with the letter, addressed to the five large banks ("the banks"), the Commissioner of Competition ("the Commissioner") considers the announcement that the banks constitute a "concentration group" and the issue of instructions

to members of the group, in the version attached to the letter ("the instructions"). The letter argues that the evidence in the hands of the Authority indicates that the banks provide over one half of the total supply of services provided in the segment of banking services for retail customers (which include according to the letter and the definitions contained therein, the household segment and the small businesses segment with operating revenues of less than NIS 50 million). Also noted is that an examination by the Commissioner points at the existence of conditions as stated in the Act, that allow the existence of conditions creating little competition between the banks in the field of banking services provided to retail customers.

The principal instructions that the Commissioner considered issuing according to this letter are: duty of the banks to offer prevalent "freak" deposits to customers of all banks; prohibition of subjecting deposits to acceptance of other banking services; availability of the money-market fund product as a non-banking product to customers of all banks; imposing a duty on the banks to accept deposits from non-banking companies wishing to operate as "financial centers" for the public at large, under terms that are not inferior to those granted by the banks to similar deposits; imposing the duty to allow mobility of deposits to other entities ("freak" deposits), and instructions requiring the "push" presentation of comparative information relevant to customers.

The Bank presented its objection to this position, inter alia, at a hearing held before the Commissioner on September 29, 2024. In continuation of the letter, the Bank received from the Competition Authority several requests for information.

On October 23, 2025, the Bank received an additional letter in the matter of "a secondary hearing prior to a determination regarding a concentration group and the issue of instructions", as part of which, the Commissioner announced that she had considered the arguments of the banks and found nothing therein that would make her change her intention to determine as above.

According to the additional letter, the contents of a part of the instructions have been changed, including the obligation to accept a deposit from non-banking companies desiring to operate as "funds coordinator" on behalf of the general public, which would apply only to a bank having wide scope operations (a bank whose asset value exceeds 20% of the value of assets of all banks in Israel). The banks presented in writing to the Commissioner their position regarding the additional findings.

Announcement by the Commissioner of Competition regarding the structure of ownership of the Bank Clearing Center (MASAB)

An arrangement regarding the joint ownership exists between the banks which own MASAB, which obtained, under certain terms, an exemption regarding approval of a cartel for a period of five years, which was due to expire on June 18, 2025. In a letter dated March 31, 2024, the Commissioner informed that, unless she is otherwise convinced, she does not intend to extend the exemption. The significance of this notice is that the banks owning MASAB may be required to reduce their holdings. In February 2025, the five major banks that hold the shares in MASAB, including the Bank, filed a motion with the Competition Tribunal requesting a declarative relief and alternatively, approval by the Competition Authority of the cartel arrangement for the joint holding – (the banks' request).

On March 10, 2025, the Competition Authority filed a motion for the dismissal *in limine* of the application by the banks for a Declaratory Relief.

Against this backdrop, the Bank received from the Competition Authority several requests for information. On June 3, 2025, following understandings reached by the parties and recommendation of the Commissioner, the Competition Tribunal granted the Appellants, shareholders, a temporary permit to continue and hold jointly the full ownership of MASAB for the period of times from June 18, 2025, and until February 1, 2026 – or until a verdict is given in the proceedings, whichever is earlier, and this subject to meeting the conditions detailed in the motion, the principal of which is expanding the board of directors of MASAB to include eleven directors, as from September 2025. It was further stated that the three additional directors that would be appointed by the General Meeting, shall be proposed by the participants in the MASAB Committee who are not the Appellants and should not have no connection with them, and accordingly, the required majority for taking decisions by the board of directors will change, as detailed in the arrangement approved within the framework of the temporary permit.

Towards the end of June 2025, Bank of Israel approved the expansion of the number of directors, as stated. On July 10, 2025, the General Meeting of MASAB approved the appointment of three new directors, as stated, until the expiry date of the temporary permit, subject to obtaining the required regulatory approvals.

On July 30, 2025, it was announced that the Commissioner had submitted to the Competition Tribunal her position with respect to the motion of the banks, according to which, the joint holding of the MASAB payment system constitutes a cartel arrangement which is not beneficial to the public and which should not be approved.

On January 26, 2026, the Competition Tribunal issued a decision extending the temporary permit for continued possession during the litigation period until May 1, 2026, and on February 1, 2026, the Supervisor of Banks and the Supervisor of Payment Systems at Bank of Israel extended the validity of the approval of the temporary changes in the composition of the Board of Directors of MASAB for the purposes of continuing the existence of the temporary permit.

PRIVACY PROTECTION

Privacy Protection Act (Amendment No. 13), 2024

The Amendment, which was published on August 14, 2024, contains material changes, including enlargement of the duty of notification when collecting personal data and increasing transparency towards customers and other subjects of the information in everything relating to collection of personal data objectives, the use to be made of it, passing the data to third parties and more; determination of compensation with no need for proof of damage in respect of violation of rights of subjects of information, such as violation of the right to review the data and the right to correct or erase the data in suitable cases; extension of the limitation period with respect to a civil action under the law from two years to seven years; changes in central definitions stated in the Act, including the definition of "personal data", "data of special sensitivity ", "data base", "in control of a data base", "holder of a data base" and more; reducing the duty of registration of data bases in the Register managed by the Privacy Protection Authority and the transfer of the emphasis regarding internal definitions of the bases by those in control of the data base. As to a data base having special sensitivity of a scope of over 100,000 individuals, the duty of notifying the Privacy Protection Authority has been set instead of the duty of registration; the duty of appointment of an officer in charge of privacy protection in public entities and in data processing facilities having special sensitivity of a significant scope, including banking corporations, while detailing the professional qualifications required from the officer in charge and his duties in the organization; significant extension of the authority of the Privacy Protection Authority to conduct enforcement, enquiry and supervisory proceedings and to impose monetary sanctions in significant amounts in case of violation. The Amendment entered into force on August 14, 2025.

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

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

The Regulations entered into effect on August 7, 2023, with respect to data received from the Eurozone after the publication of the Regulation on May 7, 2024, with respect to data from the Eurozone existing in the data base in Israel at date of publication, and on January 1, 2025, respecting data received otherwise than from the Eurozone and which is kept in an Israeli database in which data received from the Eurozone also exists.

LEGAL PROCEEDINGS

Note 25G to the financial statements contains descriptions of material legal actions pending against the Bank and against its consolidated subsidiaries.

THE RATING OF THE BANK BY RATING AGENCIES

Set out below is the Bank's rating as determined by rating agencies in Israel and by an international rating agency:

- On May 5, 2025, the international rating agency Moody's ratified the Bank's rating at Baa1 negative outlook. On October 15, 2025, Moody's announced that it performed a periodical checkup of the Bank's ratings and did not change the Bank's rating or outlook. On February 3, 2026, Moody's upgraded the Bank's outlook from negative to stable and on February 5, 2026, ratified the Bank's rating at Baa1 stable outlook.
- On July 29, 2025, "Midrug" rating company ratified the rating of the inner financial resilience of the Bank at aa2.il, the Bank's short-term deposits at P-1.il, the long-term deposits and senior debt of the Bank at Aaa.il/stable outlook and its subordinate debt notes with a loss absorption mechanism at a level of Aa3.il(hyb)/stable outlook. On August 20, 2025, Midrug rated the commercial securities at P-1.il.
- On August 20, 2025, S&P Ma'alot rated the issuer short term rating of the Bank at ilA-1+.
  On November 11, 2025, S&P Ma'alot ratified the issuer long term rating of the Bank at a level of ilAAA and raised the outlook forecast from negative to stable. Likewise, it ratified its subordinate debt notes with a loss absorption mechanism at a level of ilAA- and the issuer short term rating of the Bank at ilA-1+.

THE SUPERVISORY SEGMENTS OF ACTIVITY - ADDITIONAL DETAILS

For the description of segments of activity, see note 28 to the financial statements and the chapter on segments of activity in the Board of Directors and Management report.

STRUCTURE OF THE COMPETITION IN SEGMENTS OF OPERATION AND CHANGES THEREIN

CORPORATE SEGMENT

- The majority of business customers in Israel manage accounts at a number of banks, and often at all the large banks operating in Israel as well as at foreign banks.
- The level of competition in the banking system for quality corporate segment customers is very high. The competition is reflected by the level of service and rapidity of response, by the level of prices and fees, and by the terms for the extension of credit. The Bank Group competes against the four other largest bank groups in Israel, as well as against foreign banks with representative offices in Israel, and against off-banking factors such as insurance companies. The competition concerns the ability to provide a rapid and effective response to the changing requirements of each customer, the quality of service and professional personnel, and in the development of sophisticated and innovative banking products.
- Furthermore, the expansion of the non-banking market in Israel as a substitute for bank credit, as discussed above, including credit granted by institutional bodies and insurance companies, and the globalization and liberalization processes enable the Corporate Segment's customers access to the raising capital in local and worldwide capital markets, and with ready access to credit and banking services from banks and financial entities in Israel and abroad.

THE PRIVATE BANKING SEGMENT

- Activity in the private banking segment, which is characterized by a high level of competition, comprises a central layer of the Group's strategy. The Group competes in this segment against all Israeli banks as well as against representative offices in Israel of foreign banks and investment houses, against institutional bodies, private and foreign brokers.
- On this background, and in view of the relatively low credit risk level involved in the private banking segment operations, competition as regards customers is fierce and very dynamic. This competition is expressed in the allocation of considerable resources for the raising of the level of service and consulting to private banking customers, in the training of staff, in a continuous expansion of the array of products being offered, the upgrading of decision supporting technological systems, in the benefits regarding account management terms, in the erosion in the level of bank charges and fees, in many advertising campaigns, focus on personal service and creation of a customer adjusted overall service program.
- Furthermore, the "Beyond" loyalty program creates significant added value and response to competition – customers related to "Beyond" at the private banking center, collect points for realization in the world of benefits in vacation and leisure areas in Israel and abroad.
- The Bank competes with respect to the upper section of the private banking segment, by means of the "Platinum centers" of UBank branches, which provide customers with a unique service tailored to their type of activity and needs. The "Platinum centers" are characterized by the most qualified staff and operate according to a work model different than the ordinary consulting model in practice at banks.

  This upper section of customers is courted by all banks in Israel, as well as by foreign banks and family offices operating in Israel.

  In order to successfully deal with the said section of customers, the Bank has adopted principles of the family office system, offering a most extensive selection of investment solutions tailored to the nature of such customers' activity, in a way that includes holistic view of all assets of the customer and combining the area of long-term savings and providing for pension in the financial planning.

- The Bank is constantly acting to improve work processes and introduce technological improvements with the aim of improving the level of service and expanding the variety of products, including the upgrading and development of services offered on the Internet and on cellular phones, and development of advanced capital market services, such as "advise me"- system which enables the transfer of recommendations from the advisor directly to the cellular phone of the customer and the performance of the advised transactions by the customer through the application. In addition, "SmarTrade"- service which enables an upgrade to the supervision of the customer of its portfolio and to execute transaction in security through the application, by receiving alerts to his cell phone and creating strategies for buying and selling securities.

THE MIDDLE MARKET BUSINESS SEGMENT

- The competition in the banking system for the middle market segment customers is growing continually. The competition is reflected by the level of service and rapidity of response, by the level of prices and fees, and by the terms for the extension of credit. The Bank Group competes with the four other largest banks in Israel, as well as foreign banks with representative offices in Israel. The banks compete in their ability to provide a rapid and effective response to the changing requirements of each customer, in the quality of service and personnel, and in the development of sophisticated and innovative banking products. Competition also comes from non-banking entities, such as insurance companies, and from the opportunity for raising capital in local and overseas markets.
- Most middle market business customers in Israel manage accounts at a number of banks, which increases the competition for these customers. In addition, regulatory requirements that restrict the banks in their activity with large business customers and their increased severity in recent years are prompting the banking system to focus on commercial, mainly middle-market customers.
- The Bank uses the competitive advantage existing in the Group's activity and offers customers to enjoy the factoring services and the financing within the framework of the small and middle market business fund.
- Competition also exists in deposits and savings activity with the segment's middle-market customers, against other banks and against non-banking entities that specialize in the capital and money markets (including insurance companies and investment houses).

THE HOUSEHOLDS SEGMENT

In recent years the level of competition on the household segment is rising - both in the banking system and against entities outside the banking system. As part of competition on market share the Group performs needed changes, including adjustment of preparations in the following areas:

- Focusing on the development of the online services of the Group; "International online", advanced cellular phone applications, self-service stations, etc.
- An extensive marketing activity based on supportive computer systems.
- Modifications to the branch layout in accordance with developments in the targeted population of the Group and in accordance with business potential areas.
- A digital branch was established in September 2023, offering its customers remote banking services, provided both digitally as well as by means of a permanent team of bankers, providing response at extended business hours and with a messenger service to the home of the customer.
- During 2024 and 2025, the call service center of the Bank was expanded in order to provide response to a wide array of services on a rapid response time.
- Strengthening the personal bond and relations with the customer.
- At the same time, the group continues to focus on specific target populations within the household segment, such as: defense forces personnel and retirees, teaching staff population, hi-tech workers population, professionals, employees of large corporations, the ultra-orthodox customer segment and more. Within the population of the defense forces the Bank provides loans and banking services in accordance to the tender of the Ministry of Defense as from December 1,

2023, and extensive benefits in account management in the framework of the agreement with "HEVER" organization, renewed on October 15, 2024.

The improved position of the Group in the household segment will continue to comprise a central layer of the business strategy of the Group. This strategy is designed to decentralize the income mix of the Group, as well as create a new customer pool, which will provide reserve of private banking customers in the future. The Bank strives to preserve and enlarge the activity of the Group among existing customers, including dual customers, who conduct a part of their financial activity with other banks. Moreover, the Group continues to attract new customers from among the target population of the Group and to introduce measures for the efficiency and improvement of the retail infrastructure.

The following processes are being implemented and/or planned in the course of business for the realization of this strategy:

- Strengthening the concept of focusing on the customer, while modifying value offers, products, the level of service and distribution channels to the preferences and financial needs of each customer.
- Educated management of the retail network with a multi-channel concept, based both on the adequate deployment of the branch layout, and on the constant expansion of online banking services, including advanced automatic appliances, the Internet website, cellular phone applications which are in a state of constant expansion of the banking services included in them, such as FIBI - the virtual banker, biometric identification, expansion of the service of information in a click- allowing the customer receiving information without the need to identify, sending personal massages to customers, correspondence with a banker via electronic mail or SMS on the website or the application, etc.
- A data based systematic initiation of activity with customers in all lines of operation, including account management services, investment activity and consulting, consumption credit and mortgages.
- Preservation of leadership and competitive advantage in the field of savings and investments.
- The Bank provides pension consultation services and present and continuing life planning modified to the needs of the customer. Customers, who had signed a pension consulting agreement, receive digital support by means of the FIBI 360 WISE and Life Plan systems.
- Development of mortgage activity as a supplementary retail product.
- Continuing the offer of value and benefits by means of "Beyond" the loyalty program.

THE SMALL AND MINUTE BUSINESS SEGMENT

The competition in the Small and minute Business Segment has increased during recent years.
In this segment, the Group competes against all the banks in Israel and mainly against the four largest banks. Competition also exists against financial entities that provide non-banking credit, such as credit card companies, leasing companies and insurance companies. The Bank makes available to the small businesses a variety of financial solutions, among which is the Small and Middle Market Businesses Fund guaranteed by the Government, by means of the branch network and by digital means, while focusing on tailoring individual solutions in accordance with the customer's needs and the profile of his activity, and all while strictly maintaining high level of service and rapid response time.

TECHNOLOGICAL IMPROVEMENTS AND INNOVATION

The Bank's Information Technology Division operates and maintains the software and hardware for core systems, digital systems, servers, endpoint devices, communications and telephony networks, and all dedicated and ancillary IT equipment at the Bank Group's branches and headquarters units.

As part of the Bank Group's IT strategy, and in order to utilize technology to respond to emerging trends in modern banking, the Bank implemented several initiatives in 2025, including the deployment of cutting-edge, innovative technologies, maximizing digital transformation, and developing database processing and analysis capabilities to identify opportunities and deliver personalized value propositions to the customers. These initiatives aim to deliver an empowering customer experience, while striving for operational excellence, maintaining a technological edge, and continuously improving the Bank's information security and cyber defense.

In February 2026, the Bank approved a new strategic IT plan for the coming years.

Key Technological Infrastructure Topics Developed in 2025

Architecture

The Bank designed a modern, multi-layered architecture that provides an advanced, flexible, and stable infrastructure. The architecture enables rapid, high-quality, and stable application development, focusing on the following key areas:

- Design Authority Methodology: A unified methodology for evaluating applications and establishing development standards.
- Enterprise-Wide Cloud Strategy: A comprehensive cloud policy tailored to regulatory requirements and digital growth, encompassing cost management (FinOps), the establishment of a dedicated Cloud Center of Excellence (CCoE), and the deployment of cloud services through a secured landing zone on AWS infrastructure.
- New Infrastructures and Methodologies: core services for digital applications and event-driven architecture.
- Monitoring and Optimization: Real-time monitoring tools delivering performance analysis and recommended improvements.
- AI-Based Development Tools: A selection of AI-assisted solutions to enhance development productivity.

Data

The Bank remains a leader in advanced data utilization and AI application deployment to improve productivity and customer experience. The data domain is spearheading advanced data and AI applications, including:

The data field, as part of an advanced banking layout, leads advanced data applications, including:

- Advanced Data Tools: Customer journey analysis in digital processes, insight generation, and personalization.
- AI Strategy: Two years ago, the Bank began to implement a strategic AI roadmap, consisting of: establishing AI labs and collaborating with fintech companies and vendors, outlining an organizational policy and an operating framework for responsible and secure implementation, developing AI applications for internal and external use (improved service, accelerated development, and enriched professional knowledge), and piloting generative AI tools to improve employee productivity.

Digital and Innovation

The Bank continues to expand its digital capabilities and value propositions, including:

- Launch of the Digital Wallet for BEYOND Customers: Enabling customers to load funds into a digital wallet and receive significant discounts at a variety of retail chains and businesses across Israel.
- Foreign Currency Transfers to Beneficiaries via the App: Now available for ad hoc beneficiaries domestically and abroad, through a new interface.

- Passwordless Authentication: Customers can now authenticate and log on to their personal portal by scanning a QR code that leads to rapid biometric authentication on the app.
- MultiBank: The information that can be viewed using MultiBank services (aggregated financial information services) has been expanded to include a capital market view.
- Information visibility and presentation were improved across the Bank's digital channels, enabling a user-friendly, innovative, streamlined experience.
- Enhancement of the Website's Capital Market Section: An upgrade to the self-directed capital market trading experience, to deliver a superior, unique trading experience. The changes include IT infrastructure updates and new features in the securities scanner tool, with advanced filtering capabilities.
- Dedicated Services for Corporate Clients: Extended payment initiation capabilities for authorized signatories in corporate accounts and a newly added option to repay on-call loans via the website.

Improved Customer Service

- Extended Website and App Services: Ordering a new digital debit card ("Cal"), transition from a youth account to an adult account via the app, ordering and canceling credit cards, foreign currency transfers to beneficiaries using the app, the option to cancel designated beneficiaries (in shekels and foreign currency) using the website, generating up-to-date loan amortization schedules, added push notifications for transactions requiring two-factor authentication, extended app access for mortgage clients (without a checking account), an option for advisors to submit digital mortgage refinancing applications, and extending the digital viewing period in Banking ID reports to ten years.
- Extended Call Center Services: Ordering credit card, loan repayments, future and recurring transfers, and more.
- Deployment and implementation of SmartTrade, a new foreign currency trading system.
- Remote collection of customer consent for credit database inquiries (including prospective customers).
- Integration of online information for customers regarding available denominations for withdrawal and the option to deposit cash at the branches' self-service terminals.
- Replacement of the Interactive Voice Response (IVR) system, thus offering an improved customer service experience, including enhanced navigation, a callback service, and more.

Automation and Improved Business Process

Improved service and operational efficiency through the continued deployment of Robotic Process Automation (RPA) and enhanced business and operational processes, including:

- Deposits: Integrated automation in listed deposit placements and maturities processing for institutional clients and mutual funds.
- Foreclosures: Extended automation of the new foreclosure registration process to cover additional population segments.
- On-Demand Document Retrieval: Automated retrieval of standing order transactions and custom balance certificate generation.
- Mortgages: Infrastructure development for direct receipt of life insurance policies vis-à-vis insurance companies.
- Checks: An integrated automated validation mechanism for checks deposited at on-site service terminals and using home devices.
- MASAB Errors: Automated reversal of erroneous credits from MASAB.

Data protection

- Improved and extended innovative technological capabilities in accordance with the Bank's risk management policy.
- The Information Security and Cyber Defense Division launched the cyber accelerator program. In addition, it is implementing an innovation program for startup companies, to accelerate advanced cybersecurity technology product development.

Infrastructure Upgrades

- Upgrade to the mainframe computer to a newer, more powerful model.
- Upgrade to the Call Center telephony system.
- Replacement of core switches in the internal communications network.
- Upgrade to the Bank's private branch exchange (PBX) and call recording system.
- Extended mutual fund onboarding and operating infrastructure.
- Launch of a callback service via the online support center.
- Upgraded and extended communications lines to improve communications resilience in capital market environments.
- Replacement of storage systems with a faster, newer systems for the capital market and mortgage operations.

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

A. Average balances and interest rates - assets

	Year ended December 31, 2025			Year ended December 31, 2024			Year ended December 31, 2023		
	Average balance (1)	**Interest income**	**Rate of income**	**Average balance (1)**	**Interest income**	**Rate of income**	**Average balance (1)**	**Interest income**	**Rate of income**
		NIS million	%		NIS million	%		NIS million	%
Interest-bearing assets									
Credit to the public[2][5]									
- In Israel	**117,909**	**6,980**	**5.92**	108,927	6,748	6.19	107,154	6,722	6.27
Total	**117,909**	**6,980**	**5.92**	108,927	6,748	6.19	107,154	6,722	6.27
Credit to the Government									
- In Israel	**1,372**	**44**	**3.21**	1,128	40	3.55	889	16	1.80
Total	**1,372**	**44**	**3.21**	1,128	40	3.55	889	16	1.80
Deposits with banks									
- In Israel	**4,835**	**161**	**3.33**	2,533	101	3.99	2,813	107	3.80
Total	**4,835**	**161**	**3.33**	2,533	101	3.99	2,813	107	3.80
Deposits with Bank of Israel									
- In Israel	**69,166**	**3,093**	**4.47**	68,068	3,062	4.50	49,116	2,227	4.53
Total	**69,166**	**3,093**	**4.47**	68,068	3,062	4.50	49,116	2,227	4.53
Securities borrowed or repurchased under repurchase agreements									
- In Israel	**179**	**8**	**4.47**	70	3	4.29	82	4	4.88
Total	**179**	**8**	**4.47**	70	3	4.29	82	4	4.88
Held to maturity or available for sale bonds[3]									
- In Israel	**32,499**	**1,375**	**4.23**	24,876	1,082	4.35	20,247	756	3.73
Total	**32,499**	**1,375**	**4.23**	24,876	1,082	4.35	20,247	756	3.73
Trading bonds									
- In Israel	**1,978**	**110**	**5.56**	1,326	61	4.60	396	18	4.55
Total	**1,978**	**110**	**5.56**	1,326	61	4.60	396	18	4.55
Total Interest-bearing assets	**227,938**	**11,771**	**5.16**	206,928	11,097	5.36	180,697	9,850	5.45
Non-interest-bearing debtors regarding credit cards	**3,512**			3,323			3,198		
Other non-interest-bearing assets[4]	**30,420**			21,428			21,812		
Total assets	**261,870**			231,679			205,707		

See notes in page 335.

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

	Year ended December 31, 2025			Year ended December 31, 2024			Year ended December 31, 2023		
	Average balance (1)	Interest expenses	Rate of expense (1)	Average balance (1)	Interest expenses	Rate of expense (1)	Average balance (1)	Interest expenses	Rate of expense (1)
		NIS million	%		NIS million	%		NIS million	%
Interest-bearing liabilities									
Deposits from the public									
- In Israel									
Demand	**33,387**	**1,202**	**3.60**	19,114	604	3.16	20,193	575	2.85
Fixed-term	**130,197**	**5,319**	**4.09**	128,899	5,435	4.22	100,787	4,057	4.03
Total	**163,584**	**6,521**	**3.99**	148,013	6,039	4.08	120,980	4,632	3.83
Deposits from the Government									
- In Israel	**615**	**30**	**4.88**	432	23	5.32	286	15	5.24
Total	**615**	**30**	**4.88**	432	23	5.32	286	15	5.24
Deposits from banks									
- In Israel	**846**	**34**	**4.02**	760	34	4.47	726	29	3.99
Total	**846**	**34**	**4.02**	760	34	4.47	726	29	3.99
Deposits with Bank of Israel									
- In Israel	**404**	**6**	**1.49**	1,739	6	0.35	3,619	2	0.06
Total	**404**	**6**	**1.49**	1,739	6	0.35	3,619	2	0.06
Securities lent or sold under agreements to repurchase									
- In Israel	**3,581**	**171**	**4.78**	964	53	5.50	-	-	-
Total	**3,581**	**171**	**4.78**	964	53	5.50	-	-	-
Bonds and subordinated capital notes									
- In Israel	**4,944**	**187**	**3.78**	4,627	202	4.37	4,758	204	4.29
Total	**4,944**	**187**	**3.78**	4,627	202	4.37	4,758	204	4.29
Other liabilities									
- In Israel	**16**	**-**	**-**	19	-	-	42	2	4.76
Total	**16**	**-**	**-**	19	-	-	42	2	4.76
Total Interest-bearing liabilities	**173,990**	**6,949**	**3.99**	156,554	6,357	4.06	130,411	4,884	3.74
Non-interest-bearing deposits from the public	**63,030**			54,704			54,659		
Non-interest-bearing creditors in respect of credit cards	**1,765**			1,691			1,694		
Other non-interest-bearing liabilities(6)	**8,242**			5,214			6,867		
Total liabilities	**247,027**			218,163			193,631		
Total capital resources	**14,843**			13,516			12,076		
Total liabilities and capital resources	**261,870**			231,679			205,707		
Interest spread			**1.17**			1.30			1.71
Net return on interest-bearing assets (7)									
- In Israel	**227,938**	**4,822**	**2.12**	206,928	4,740	2.29	180,697	4,966	2.75
Total	**227,938**	**4,822**	**2.12**	206,928	4,740	2.29	180,697	4,966	2.75

See notes in page 335.

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

	Year ended December 31, 2025			Year ended December 31, 2024			Year ended December 31, 2023		
	Average balance (1)	Interest income (expenses)	Rate of income (expense)	Average balance (1)	Interest income (expenses)	Rate of income (expense)	Average balance (1)	Interest income (expenses)	Rate of income (expense)
		NIS million	%		NIS million	%		NIS million	%
Non-linked Israeli currency									
Total interest-bearing assets	**185,310**	**9,816**	**5.30**	171,666	9,175	5.34	147,252	8,131	5.52
Total interest-bearing liabilities	**142,739**	**(5,689)**	**(3.99)**	126,761	(4,923)	(3.88)	101,126	(3,527)	(3.49)
Interest spread			**1.31**			1.46			2.03
Israeli currency linked to the CPI									
Total interest-bearing assets	**17,451**	**829**	**4.75**	16,654	942	5.66	15,403	830	5.39
Total interest-bearing liabilities	**7,439**	**(251)**	**(3.37)**	7,972	(330)	(4.14)	8,603	(351)	(4.08)
Interest spread			**1.38**			1.52			1.31
Foreign currency (including linked to f-c)									
Total interest-bearing assets	**25,177**	**1,126**	**4.47**	18,608	980	5.27	18,042	889	4.93
Total interest-bearing liabilities	**23,812**	**(1,009)**	**(4.24)**	21,821	(1,104)	(5.06)	20,682	(1,006)	(4.86)
Interest spread			**0.23**			0.21			0.07
Total activity in Israel									
Total interest-bearing assets	**227,938**	**11,771**	**5.16**	206,928	11,097	5.36	180,697	9,850	5.45
Total interest-bearing liabilities	**173,990**	**(6,949)**	**(3.99)**	156,554	(6,357)	(4.06)	130,411	(4,884)	(3.74)
Interest spread			**1.17**			1.30			1.71

See notes in page 335.

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

	Year ended December 31, 2025 compared with the year ended December 31, 2024			Year ended December 31, 2024 compared with the year ended December 31, 2023		
	Increase (decrease) due to the change			Increase (decrease) due to the change		
	Quantity	Price	Net change	Quantity	Price	Net change
						NIS million
Interest-bearing assets						
Credit to the public						
In Israel	**532**	**(300)**	**232**	110	(84)	26
Total	**532**	**(300)**	**232**	110	(84)	26
Other interest-bearing assets						
In Israel	**524**	**(82)**	**442**	1,085	136	1,221
Total	**524**	**(82)**	**442**	1,085	136	1,221
Total interest income	**1,056**	**(382)**	**674**	1,195	52	1,247
Interest-bearing liabilities						
Deposits from the public						
- In Israel						
Demand	**514**	**84**	**598**	(34)	63	29
Fixed-term	**53**	**(169)**	**(116)**	1,185	193	1,378
Total	**567**	**(85)**	**482**	1,151	256	1,407
Other interest-bearing liabilities						
In Israel	**77**	**33**	**110**	(33)	99	66
Total	**77**	**33**	**110**	(33)	99	66
Total interest expenses	**644**	**(52)**	**592**	1,118	355	1,473
Total interest income less interest expenses	**412**	**(330)**	**82**	77	(303)	(226)

(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 non-accruing debts which are non-interest-bearing income.
(3) To the average balance of available for sale bonds was deducted the average balance of unrealized losses from adjustments to fair value of bonds, included in other comprehensive income in the item "adjustments to fair value of available for sale bonds" for the year ended on December 31, 2025 in the amount of NIS 35 million (year ended on December 31, 2024 amount of NIS 217 million was added and for the year ended on December 31, 2023 an amount of NIS 304 million was added).
(4) Including derivative instruments, other non-bearing interest assets and after deduction of provision for credit losses.
(5) Fees in the amount of NIS 170 million, NIS 168 million and NIS 183 million were included in interest income for the years ended December 31, 2025, December 31, 2024 and December 31, 2023 respectively.
(6) Including derivative instruments.
(7) Net return- net interest income to total interest-bearing assets.
(8) Change attributed to quantity was calculated by multiplying the price in the reported period by the change in the quantity in the compared periods. Change attributed to price was calculated by multiplying the quantity in the previous period by the change in the price in the compared periods.

APPENDIX 2 -
CONSOLIDATED STATEMENT OF INCOME - MULTI-PERIOD DATA

(NIS million)

	Year ended December 31,				
	2025	**2024**	**2023**	**2022**	**2021**
Interest Income	**11,771**	11,097	9,850	5,161	3,150
Interest Expenses	**6,949**	6,357	4,884	1,358	356
Interest Income, net	**4,822**	4,740	4,966	3,803	2,794
Expenses (income) from credit losses	**19**	(16)	502	123	(216)
Net Interest Income after expenses from credit losses	**4,803**	4,756	4,464	3,680	3,010
Non-Interest Income					
Non-Interest Financing income	**312**	432	142	113	303
Commissions	**1,777**	1,553	1,502	1,489	1,444
Other income	**11**	21	8	9	9
Total non-Interest income	**2,100**	2,006	1,652	1,611	1,756
Operating and other expenses					
Salaries and related expenses	**1,769**	1,739	1,766	1,700	1,621
Maintenance and depreciation of premises and equipment	**338**	359	321	312	320
Amortizations and impairment of intangible assets and goodwill	**146**	134	122	113	105
Other expenses	**937**	745	668	630	606
Total operating and other expenses	**3,190**	2,977	2,877	2,755	2,652
Profit before taxes	**3,713**	3,785	3,239	2,536	2,114
Provision for taxes on profit	**1,386**	1,383	1,090	884	728
Profit after taxes	**2,327**	2,402	2,149	1,652	1,386
The bank's share in profit of equity-basis investees, after taxes	**35**	74	113	74	69
Net profit:					
Before attribution to non-controlling interests	**2,362**	2,476	2,262	1,726	1,455
Attributed to non-controlling interests	**(102)**	(105)	(90)	(59)	(50)
Attributed to shareholders of the Bank	**2,260**	2,371	2,172	1,667	1,405
					NIS
Primary profit per share attributed to the shareholders of the Bank					
Net profit per share of NIS 0.05 par value	**22.53**	23.63	21.65	16.62	14.00
Diluted profit per share attributed to the shareholders of the Bank					
Net profit per share of NIS 0.05 par value	**22.52**	23.63	21.65	16.62	14.00

APPENDIX 3 -
CONSOLIDATED STATEMENT OF INCOME - MULTI QUARTER DATA

(NIS million)

Year	2025				2024			
Quarter	**4**	**3**	**2**	**1**	**4**	**3**	**2**	**1**
Interest Income	**2,829**	**3,120**	**3,019**	**2,803**	2,687	2,955	2,879	2,576
Interest Expenses	**1,741**	**1,830**	**1,729**	**1,649**	1,548	1,690	1,658	1,461
Interest Income, net	**1,088**	**1,290**	**1,290**	**1,154**	1,139	1,265	1,221	1,115
Expenses (income) from credit losses	**29**	**17**	**(16)**	**(11)**	35	22	(71)	(2)
Net Interest Income after expenses from credit losses	**1,059**	**1,273**	**1,306**	**1,165**	1,104	1,243	1,292	1,117
Non-Interest Income								
Non-Interest Financing income (expenses)	**37**	**70**	**117**	**88**	132	153	47	100
Commissions	**457**	**461**	**434**	**425**	430	396	362	365
Other income	**3**	**7**	**-**	**1**	8	3	9	1
Total non-Interest income	**497**	**538**	**551**	**514**	570	552	418	466
Operating and other expenses								
Salaries and related expenses	**429**	**438**	**449**	**453**	422	435	435	447
Maintenance and depreciation of premises and equipment	**87**	**85**	**82**	**84**	80	116	81	82
Amortizations and impairment of intangible assets	**38**	**37**	**36**	**35**	35	36	32	31
Other expenses	**253**	**238**	**226**	**220**	200	190	184	171
Total operating and other expenses	**807**	**798**	**793**	**792**	737	777	732	731
Profit before taxes	**749**	**1,013**	**1,064**	**887**	937	1,018	978	852
Provision for taxes on profit	**229**	**387**	**416**	**354**	350	390	364	279
Profit after taxes	**520**	**626**	**648**	**533**	587	628	614	573
The bank's share in profit of equity-basis investee, after taxes	**12**	**(15)**	**16**	**22**	12	22	22	18
Net profit:								
Before attribution to non-controlling interests	**532**	**611**	**664**	**555**	599	650	636	591
Attributed to non-controlling interests	**(20)**	**(30)**	**(27)**	**(25)**	(26)	(30)	(27)	(22)
Attributed to shareholders of the Bank	**512**	**581**	**637**	**530**	573	620	609	569

				NIS				NIS
Primary profit per share attributed to the shareholders of the Bank								
Net profit per share of NIS 0.05 par value	**5.11**	**5.79**	**6.35**	**5.28**	5.71	6.18	6.07	5.67
Diluted profit per share attributed to the shareholders of the Bank								
Net profit per share of NIS 0.05 par value	**5.10**	**5.79**	**6.35**	**5.28**	5.71	6.18	6.07	5.67

APPENDIX 4 -
CONSOLIDATED BALANCE SHEET - MULTI-PERIOD DATA

(NIS million)

	As of December 31,				
	2025	**2024**	**2023**	**2022**	**2021**
Assets					
Cash and deposits with banks	**83,776**	77,175	68,866	57,130	57,370
Securities	**38,266**	34,396	26,985	16,010	15,091
Securities borrowed or purchased under agreements to repurchase	**355**	70	57	12	845
Credit to the public	**148,014**	131,050	119,240	117,156	102,240
Provision for Credit losses	**(1,640)**	(1,634)	(1,618)	(1,195)	(1,076)
Credit to the public, net	**146,374**	129,416	117,622	115,961	101,164
Credit to the government	**1,607**	1,496	1,055	866	811
Investments in investee companies	**875**	842	786	687	713
Premises and equipment	**871**	867	877	902	931
Intangible assets	**404**	363	328	317	300
Assets in respect of derivative instruments	**3,934**	2,565	3,651	2,825	1,709
Other assets	**1,371**	1,373	1,366	1,245	1,536
Total assets	**277,833**	248,563	221,593	195,955	180,470
Liabilities and Capital					
Deposits from the public	**238,509**	214,755	191,125	168,269	153,447
Deposits from banks	**1,906**	2,508	4,314	4,821	5,144
Deposits from the Government	**2,032**	2,540	750	237	960
Securities lent or sold under agreements to repurchase	**4,107**	2,304	-	-	-
Bonds and subordinated capital notes	**6,791**	4,479	4,767	4,749	3,356
Liabilities in respect of derivative instruments	**4,336**	2,729	3,784	2,322	2,038
Other liabilities	**4,953**	5,164	4,207	4,522	5,088
Total liabilities	**262,634**	234,479	208,947	184,920	170,033
Capital attributed to the shareholders of the Bank	**14,614**	13,430	12,071	10,559	10,003
Non-controlling interests	**585**	654	575	476	434
Total capital	**15,199**	14,084	12,646	11,035	10,437
Total liabilities and capital	**277,833**	248,563	221,593	195,955	180,470

APPENDIX 5 -
CONSOLIDATED BALANCE SHEET - MULTI QUARTER DATA

(NIS million)

Year	2025				2024			
Quarter	**4**	**3**	**2**	**1**	**4**	**3**	**2**	**1**
Assets								
Cash and deposits with banks	**83,776**	**81,921**	**79,142**	**77,342**	77,175	81,440	77,663	76,731
Securities	**38,266**	**37,995**	**37,432**	**35,946**	34,396	28,860	27,237	26,375
Securities borrowed or purchased under agreements to repurchase	**355**	**184**	**275**	**71**	70	147	30	2
Credit to the public	**148,014**	**141,432**	**136,724**	**133,660**	131,050	126,374	122,044	116,816
Provision for Credit losses	**(1,640)**	**(1,624)**	**(1,632)**	**(1,634)**	(1,634)	(1,625)	(1,608)	(1,617)
Credit to the public, net	**146,374**	**139,808**	**135,092**	**132,026**	129,416	124,749	120,436	115,199
Credit to the government	**1,607**	**1,466**	**1,396**	**1,504**	1,496	1,611	1,421	965
Investments in investee companies	**875**	**862**	**884**	**866**	842	854	825	800
Premises and equipment	**871**	**865**	**855**	**858**	867	852	859	867
Intangible assets	**404**	**362**	**355**	**356**	363	350	348	325
Assets in respect of derivative instruments	**3,934**	**4,131**	**5,729**	**3,376**	2,565	2,308	2,670	3,324
Other assets	**1,371**	**1,905**	**1,347**	**1,403**	1,373	1,341	1,320	1,353
Total assets	**277,833**	**269,499**	**262,507**	**253,748**	248,563	242,512	232,809	225,941
Liabilities and Capital								
Deposits from the public	**238,509**	**233,020**	**225,124**	**221,051**	214,755	212,907	204,069	196,615
Deposits from banks	**1,906**	**1,730**	**2,141**	**1,637**	2,508	2,631	2,735	3,586
Deposits from the Government	**2,032**	**934**	**1,020**	**483**	2,540	689	719	710
Securities lent or sold under agreements to repurchase	**4,107**	**3,623**	**4,180**	**3,813**	2,304	1,542	744	-
Bonds and subordinated capital notes	**6,791**	**5,836**	**4,517**	**4,458**	4,479	4,474	4,689	4,736
Liabilities in respect of derivative instruments	**4,336**	**4,520**	**6,176**	**3,158**	2,729	2,086	2,388	3,085
Other liabilities	**4,953**	**4,610**	**4,379**	**4,696**	5,164	4,494	4,260	4,257
Total liabilities	**262,634**	**254,273**	**247,537**	**239,296**	234,479	228,823	219,604	212,989
Capital attributed to the shareholders of the Bank	**14,614**	**14,543**	**14,258**	**13,773**	13,430	13,066	12,615	12,355
Non-controlling interests	**585**	**683**	**712**	**679**	654	623	590	597
Total capital	**15,199**	**15,226**	**14,970**	**14,452**	14,084	13,689	13,205	12,952
Total liabilities and capital	**277,833**	**269,499**	**262,507**	**253,748**	248,563	242,512	232,809	225,941

THE FIRST INTERNATIONAL BANK OF ISRAEL LTD

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Head Office
42, Rothschild Blv., Tel Aviv 6688310

Tel Aviv Main Branch
42, Rothschild Blv., Tel Aviv 6688310

Jerusalem Main Branch
10, Hillel Street, Jerusalem 9458110

Main Business Branch Northern Israel
20, Halutsei Hata'asiya street, Haifa 2629420

99 Branches all over the country
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BANK MASSAD LTD
12, Abba Hillel Street, Ramat Gan 5250606
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www.bankmassad.co.il

FIRST INTERNATIONAL ISSUES LTD
42, Rothschild Blv., Tel Aviv 6688310

THE INTERNATIONAL UNIQUE INVESTMENT MANAGEMENT LTD
38 Rothschild Blv., Tel Aviv 6688307

UBANK TRUST COMPANY LTD
38 Rothschild Blv., Tel Aviv 6688307

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