FIBI FIRST INTERNATIONAL BANK OF ISRAEL

Financial Statements as of March 31, 2023

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REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT AS OF MARCH 31, 2023

The meeting of the Board of Directors held on May 17, 2023, resolved to approve and publish the unaudited consolidated financial statements of the First International Bank of Israel Ltd. (hereinafter - "the Bank") and its consolidated subsidiaries (hereinafter - "the Bank Group"), as of March 31, 2023.

GENERAL OVERVIEW, OBJECTIVES AND STRATEGY

DESCRIPTION OF THE BANK GROUP'S ACTIVITY

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

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

The Bank operates through three principal business divisions:

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

RATIFICATION OF THE BANK'S RATING BY RATING AGENCIES

On January 10, 2023, S&P Maalot ratified the issuer rating of the Bank at the rank of AAAil/Stable and the deferred debt notes having a loss absorption mechanism at the rank of -AAil.

FORWARD-LOOKING INFORMATION

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

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

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

CONDENSED PRINCIPAL FINANCIAL INFORMATION AND PRINCIPAL EXECUTION INDICES

Principal financial ratios	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
			in %
Principal execution indices			
Return on equity attributed to shareholders of the Bank(1)	**23.6%**	13.0%	16.6%
Return on average assets(1)	**1.28%**	0.71%	0.89%
Ratio of equity capital tier 1	**10.55%**	10.79%	10.42%
Leverage ratio	**5.15%**	5.26%	5.19%
Liquidity coverage ratio	**131%**	126%	127%
Net stable funding ratio	**133%**	137%	133%
Ratio of total income to average assets(1)	**3.5%**	2.6%	2.9%
Ratio of interest income, net to average assets (1)	**2.6%**	1.6%	2.0%
Ratio of fees to average assets (1)	**0.8%**	0.8%	0.8%
Efficiency ratio	**42.6%**	58.5%	50.9%
Credit quality indices			
Ratio of provision for credit losses to credit to the public	**1.06%**	1.01%	1.02%
Ratio of total provision for credit losses (2) to credit to the public	**1.17%**	1.14%	1.12%
Ratio of non-accruing debts or in arrears of 90 days or more to credit to the public	**0.47%**	0.59%	0.48%
Ratio of provision for credit losses to total non-accruing credit to the public	**232%**	175%	220%
Ratio of net write-offs to average total credit to the public (1)	**(0.04%)**	(0.02%)	0.03%
Ratio of expenses for credit losses to average total credit to the public (1)	**0.25%**	-	0.11%

Principal data from the statement of income	For the three months ended March 31,	
	2023	2022
		NIS million
Net profit attributed to shareholders of the Bank	**631**	322
Interest Income, net	**1,275**	744
Expenses from credit losses	**72**	-
Total non-Interest income	**425**	426
Of which: Fees	**388**	384
Total operating and other expenses	**724**	684
Of which: Salaries and related expenses	**449**	414
Primary net profit per share of NIS 0.05 par value (NIS)	**6.29**	3.21

Principal data from the balance sheet	31.3.23	31.3.22	31.12.22
			NIS million
Total assets	**204,312**	182,013	195,955
of which: Cash and deposits with banks	**57,763**	53,979	57,130
Securities	**19,756**	14,850	16,010
Credit to the public, net	**118,502**	106,254	115,961
Total liabilities	**192,923**	171,725	184,920
of which: Deposits from the public	**173,390**	154,038	168,269
Deposits from banks	**5,481**	6,504	4,821
Bonds and subordinated capital notes	**4,770**	3,675	4,749
Capital attributed to the shareholders of the Bank	**10,888**	9,851	10,559

Additional data	31.3.23	31.3.22	31.12.22
Share price (0.01 NIS)	**12,650**	13,810	13,900
Dividend per share (0.01 NIS)	**267**	379	942

(1) Annualized.

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

PRINCIPAL RISKS TO WHICH THE BANK IS EXPOSED

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

All material risks are managed by and the responsibility of appointed members of Management. A regulatory requirement for capital adequacy exists in respect of credit, market and operating risks, according to the instructions of Pillar I of Basel. Within the framework of the Internal Capital Adequacy Assessment Process ("ICAAP"), the Group performs an intensive process for the identification of additional risk centers and the challenging of identified risk centers, in accordance with Pillar I. Where required, a supplementary allocation of capital is made in respect of Pillar I risks, and an additional allocation of capital in respect of other risks and sub-risks.

Additional information is detailed in the financial statements for 2022.

LEADING AND DEVELOPING RISKS

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

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

EFFECT OF CHANGES IN INTEREST AND IN THE CONSUMER PRICE INDEX

The first quarter of 2023 was marked by the continuation of high inflation level trend, both in Israel and in the leading economies. This trend has led central banks to tighten their monetary policies and adopt the hiking of interest rates. Bank of Israel continued in the first quarter of 2023, the trend of raising the interest, so that during the period from January to April 2023, the interest rose at the rate of 1.25% to a level of 4.5%. In accordance with the assessment of the macro-economic forecast by the Research Division of Bank of Israel, of April 2023, the interest rate is expected to settle in the first quarter of 2024, at a level of 4.75% on an average.

Trading on global capital markets in the first quarter of the year, was conducted on background of expectations for further hikes of the interest in the leading economies and the continuation of the global rise in prices, and the leading share indices recorded higher rates. The local markets recorded a decline in most share indices. According to a review of the Research Department of the Stock Exchange, trading on the Stock Exchange during the first quarter of the year was affected by the continuing rise in interest in Israel and globally and by the uncertainty relating to the implications of the proposed changes in the legal system.

In accordance with an update of the Research Division of Bank of Israel, of April 2023, the inflation rates expected for the years 2023 and 2024 amount to 3.9% and 2.4%, respectively. It is further noted, that the level of inflation for the past twelve months is found above the upper limit of the targeted range, amounting to 5.2%, though it is still lower than the inflation level in most developed economies, and that the inflationary expectations for the coming year by different sources (the capital market and forecasters) amount to 3.0%, which is lower than the expectations of Bank of Israel forecast.

For additional details, see the Chapter on principal economic developments, hereunder.

The Bank is adopting various measures in order to cope with the effects of changes in interest and in inflation upon the Bank and its customers. These include conducting sensitivity tests and current tests examining the repayment ability of customers, according to the different segments of operation, while applying individual treatment in accordance with findings, as well as updating of assumptions relating to the different models in the fields of credit risk and market risk. The Bank continues to follow-up and monitor risks, including those, the probability of their realization has increased in the wake of the said changes, their implications and impact upon the Bank.

OBJECTIVES AND STRATEGY

The Bank operates according to a multi-annual strategic plan validated by the Board of Directors. The new corporate strategy for the years 2023-2025 was approved by the Board of Directors in December 2022. In the framework of the new strategy, new digital strategy was also formulated.

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

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

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

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

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

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

Principal environmental, social, and governance aspects (ESG)

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

The Bank operates in accordance to a comprehensive ESG strategy, in the framework of which a policy and multiannual targets were determined, focusing on several central areas, as derailed 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.
- 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 draft of the Supervisor of Banks dated December 25, 2022, in respect of principles for effective management of financial risks connected to the climate, the Bank conducts a renewed examination of the processes regarding evaluation and management of the environmental risk, while modifying them, to the extent possible, to accepted practices in the world. In this framework, the Bank is mapping the existing exposure in this area, examines their effect on its activity and is acting to adjust its risk appetite, including determination of goals and limitations.
- Promotion of financial understanding of Bank customers, with a focus on the capital market - the Bank is continuously acting to promote the financial understanding of its various customers, through digital means, such as study courses and video clips. The contents are presented on the Internet website of the Bank and 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. Over and above the plentiful social value of this move, the Bank recognizes the importance of the financial knowledge of its customers, also as part of its risk management tools.
- Promotion of diversity in employment - Within the strategic focusing of the Bank Group on customers coming from different groups of population, through the different banking brands, the Bank sees great importance in attracting employees from divers' groups of the Israeli society.

EXPLENATION AND ANALYSIS OF RESULTS AND BUSINESS POSITION

TRENDS, EVENTS, DEVELOPMENTS AND MATERIAL CHANGES

Principal Economic Developments

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

The first quarter of 2023 was marked by the continuation of a high inflation level trend, both in Israel and in the leading economies. This trend has led central banks to tighten their monetary policies and adopt the hiking of interest rates.

Growth

In accordance with the macro-economic forecast of the Research Division of Bank of Israel, of April 2023, the legislation amendments relating to the legal system, proposed at the present time, may have an impact on economic activity in Israel. The forecast differentiates between a scenario according to which the dispute about the legislation amendments would be settled in a way that would not affect the economy from now onwards, and the scenario according to which legislative and institutional changes would be accompanied by the rise in the risk premium of the State of Israel. In the scenario, according to which the dispute about the legislation amendments would be settled in a way that would not affect the economy, the GDP is expected to grow by a rate of 2.5% in 2023 (as against 2.8% in the previous forecast of January 2023), and by 3.5% in 2024 (similarly to the previous forecast of January 2023). The Research Division of Bank of Israel expects the economic growth rate in Israel in 2023 to be lower than the average growth rate in recent years (4%), and this, on background of expectations for the continuing rise in interest in Israel, expected to slow down demand for consumption and investments, as well as the expected slowdown in growth of international trade.

In the additional scenario, by which legislative and institutional changes are accompanied by a rise in the risk premium of the State, impairment is possible in exports and so is a decline in local investments and in demand for private consumption. According to this scenario, the impairment in growth of the GDP all along the next three years, would amount to between 0.8% and 2.8% in each year, depending on the length of impairment and its force.

The bi-annual review of the OECD, published in April 2023, noted the decline in the debt to GDP ratio of the State of Israel, as well as the improvement in the payments balance. The OECD estimates that growth is expected to slow down, though it will remain steadfast, amounting to 3% and 3.4% in the years 2023 and 2024, respectively.

Credit risk of the economy

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

The global rating agency S&P ratified in May 2023, the credit rating of the State of Israel regarding the debt in foreign currency, at a level of "AA-", with a "stable" rating forecast.

The global rating agency Moody's, ratified in April 2023, the credit rating of the State of Israel at a level of "A1", while at the same time lowering the rating outlook for Israel from "positive" to "stable", and this after raising in April 2022, the rating outlook for Israel from "stable" to "positive". Moody's states in its announcement that the change in the outlook stems from its assessments that recent events relating to the Government's plans for changes in the legal system indicate an adverse change in the solidness of the institutions and governance in Israel.

Fitch, the global rating agency ratified in March 2023, the credit rating of the State of Israel at a level of "A+" leaving it with a "stable" outlook. Fitch noted that at this stage, it is unclear whether the proposed changes in the legal system in Israel, which are on the agenda, will have an effect upon the credit rating of the State of Israel.

As for the effect of the credit rating of the State of Israel upon the capital adequacy ratio of the Bank, see the Chapter "Capital and capital adequacy".

State budget

A primary assessment regarding the budget performance, issued by the Accountant General at the Ministry of Finance in April 2023, shows that in the period of twelve months ended in March 2023, the budgetary deficit amounted to NIS 300 million, replacing a budgetary surplus in the preceding nine months. State revenues in the first quarter of 2023, amounted to NIS 120.7 billion, as compared to NIS 126.2 billion, in the corresponding quarter last year, a decline of 4.4%. Government expenditure amounted to NIS 106.6 billion, as compared to NIS 102.1 billion in the corresponding quarter last year, an increase of 4.4%.

In its forecast, published in April 2023, Bank of Israel notes, that the approved framework of the budget reflects public consumption in real terms that is lower than that stated in the previous forecast of January 2023. As regards the fiscal policy, the Research Division foresees that in the years 2023 and 2024, the ratio of the public debt to the GDP would drop to below 60%, and the Government deficit is expected to stabilize at 0.9%.

Inflation

A rise in inflation was recorded in the first quarter of 2023 in continuation of the trend in 2022. The CPI "for the month" rose by 1.2%, in comparison to a rise of 1.5% in the corresponding period last year, whereas the "known" CPI rose by 1.1%, in comparison to 1.2% in the corresponding period last year.

In accordance with an update by the Research Department of Bank of Israel dated April 2023, the rates of inflation expected for the years 2023 and 2024 amount to 3.9% and 2.4%, respectively (as against 3.0% and 2.0%, respectively, in the previous forecast of January 2023). The expected rate of inflation for the coming four quarters (starting with the second quarter of 2023 and until the first quarter of 2024) amounts to 3.4%.

It was further noted, that the inflation in the past twelve months is found above the upper limit of the targeted range, amounting to 5.2%, though still lower than the inflation in most of the developed economies, and that inflationary expectations by different sources (the capital market and forecasters) for the coming year, amount to 3.0%, which is lower than expectations in the forecast of Bank of Israel.

Housing market

In the last interest decision, published in April 2023, Bank of Israel noted that housing prices rose in the last twelve months by 14.6%. Furthermore, the number of transactions effected in the housing market and the volume of mortgage loans taken continues to decline. Data issued by the Supervisor of Banks indicate that the volume of mortgages taken in February 2023, amounted to NIS 5.7 billion, a reduction of 49% as compared to February of last year and the lowest since November 2019.

In accordance with the Apartment Price Index of the Central Statistical Bureau (CSB), published in April 2023, the Owner Residential Services Index (New Rental Agreements Index) recorded a rise of 0.7% in March 2023, in comparison to February 2023. The Apartment Price Index (includes new and second hand apartments) recorded a rise of 12.7% in prices of transactions effected in January-February 2023, as compared with the corresponding period last year.

A review of the residential real estate sector published by the Ministry of Finance, noted that the number of transactions effected in February 2023, was the lowest recorded in the months of February in the past twenty years, and reflects a decline of 41% in the number of transactions, as compared to February of last year.

Labor market

In accordance with manpower surveys issued by the CSB, using data of March 2023, the wide unemployment rate (among aged 15 and above) decreased to a level of 4.2% (188 thousand of unemployed), in comparison to a level of 4.7% (211 thousand of unemployed) in February. The rate of unemployment data are significantly lower in relation to December 2022, of 5.5% (246 thousand of unemployed) and to December 2021, of 6% (262 thousand of unemployed).

According to the update of the forecasts of the Research Department of Bank of Israel, of April 2023, an increase in the wide unemployment rate is expected (among aged 25 to 64) from the actual rate of 3.3% in 2022 to 4.1% and 4.0% in the years 2023 and 2024, respectively, which is higher than the level prevailing prior to the Corona crisis (3.8%).

Bank of Israel interest rate

In the course of 2022, Bank of Israel interest rate was raised from 0.1% to a level of 3.25%. The trend of rising Bank of Israel interest continued in the first quarter of 2023, so that during January to April 2023, Bank of Israel interest rate rose by 1.25% to a level of 4.5%. In accordance with estimates of the macro-economic forecast of the Research Division at Bank of Israel of April 3, 2023, the Bank of Israel interest rate is expected to get stabilized at a level of 4.75% on an average, in the first quarter of 2024.

Exchange rate

In the course of the first quarter of 2023, the exchange rate of the shekel as against the US dollar rose by 2.73%. As of the end of April 2023 the representative exchange rate of the dollar was NIS 3.64, an increase of 0.7% compared to the end of the first quarter of the year, this in continuation of the increase at the rate of 13% in 2022. The exchange rate of the shekel against the Euro rose during the first quarter of the year by 4.8%. The trend continued also in April (an additional increase of 1.8%, as compared to the end of March). At the same time, high volatility was recorded in exchange rates.

The global environment

The pace of rising prices in the United States and in Europe continued to slow down during the first quarter of 2023. Nevertheless, the global trend of monetary tightening and of rising interest rates continues. The opening to the world of the Chinese economy, together with an improvement in the global chain of supply, leads the global economic growth. On the other hand, the real estate and hi-tech sectors are weakening as a result of continuous interest hikes.

The global Purchase Managers' Index published by JPMorgan in April 2023, stood at a level of 49.6 points, a slight reduction as compared to a level of 49.9 points in February 2023, though higher than the Index for December 2022, which was at a level of 48.6 points.

In its announcement of the interest rate published in April 2023, Bank of Israel noted that the global Purchase Managers' Index of the developed and emerging markets indicates expansion of economic activity, for the first time since June 2022.

The global inflationary environment continues at a high level, though is found in a mitigated trend in most of the developed countries. On the other hand, the core inflation indices continue to rise. The CPI in the United States has recorded an increase similar to the forecasts. The CPI in the Eurozone rose to a level lower than the forecasted level, though the core inflation continued to rise.

In the United States, the FED interest rate at the beginning of May 2023, reached a level of 5.25% (the upper limit of the interest range), being the tenth consecutive interest hike since the beginning of 2022 and the highest in the past fifteen years, and this in order to stabilize the long-term inflation rate at a level of 2%. The last announcement of the FED did not state that a further tightening of the policy might be required. On background of the US regional banks crisis the Chairman of the FED noted that the American banking system is solid.

An upheaval was recently experienced in the global banking market, following the collapse of banks in the US and in Europe, for the first time since the financial crisis in 2008.

The Bank follows these developments and examines their possible implications. As of date of publication of the financial statements, no impact upon the Bank is expected.

In the Eurozone, the ECB raised the interest rate in May 2023 to a level of 3.75%, a seventh consecutive interest hike since the beginning of 2022, and the highest rate since 2008.

In Britain, the central bank continues the monetary tightening policy, on background of the recession in which the British economy is found as a result of the Brexit implications, the energy crisis and the rising inflation. The interest rate amounts to 4.25%, the highest in Britain since 2008.

A forecast by the International Monetary Fund, published in April 2023, updated downwards the Fund's forecasts for global economic growth in respect of the years 2023 and 2024, with a growth rate of 2.8% in 2023 (2.9% in the forecast of January) and 3.0% for 2024 (3.1% in the forecast of January). These forecasts are still lower than the average global growth amounting to 3.8% in the period prior to the Corona crisis (the years 2000 to 2019). It was further noted, that the growth rate expected in

Israel in 2023 amounts to 2.9%, and to 3.1% in 2024 (according to Bank of Israel forecast of April, growth in 2023 is expected to amount to 2.5% and to 3.5% in 2024).

Capital market

Trading on the global capital markets during the first quarter of 2023, was conducted on background of expectations for the continuation of rising interest rates in the leading economies and the continuation of the global price increases. As regards the leading share indices, the NASDAQ Index rose by 20%, and the S&P 500 rose by 7%. Also the leading stock exchanges in Europe recorded rising levels in the leading indices, with the DAX Index in Germany rising by 12.2% and the CAC Index in France rising by 13.1%.

On the local markets, most equities indices were down. The TA-35 and the TA-90 indices dropped by 3% and 9%, respectively. Falling rates marked all indices, except for the TA Oil and Gas Index which rose by 13%. The TA dual share Index remained unchanged.

In the first quarter of 2023, total investments in startup companies in Israel amounted to US$1.7 billion, the lowest amount since the third quarter of 2018.

According to a review of the Research Department of the Stock Exchange, trading on the Exchange during the first quarter of the year was affected by the continuing interest hikes in Israel and globally, as well as by the uncertainty relating to the implications of the proposed changes in the legal system.

The raising of capital on the equities market amounted to NIS 2.6 billion, a decline of 66% as compared with the corresponding quarter last year, and trade turnover on the equities market were 7% lower than the average for 2022.

Falling prices of most shekel bonds were recorded in the bond market. On the other hand, the linked bonds Index rose at a rate of up to 1.7%. The Tel Aviv dollar bond Index rose by 3.2%, due to the effect of fluctuations in the dollar exchange rate as against the shekel.

The average daily trade turnover in bonds amounted to NIS 4.1 billion, higher by 18% than the average turnover for 2022.

During the first quarter of the year, the price of Israel government bond CDS for five years rose from a level of 45 base points to 58 base points. The risk premium increased in contrast to the CDS trend in other countries (having an identical investment scoring to that of Israel), the prices of their CDS slowing down during the same period.

MATERIAL DEVELOPMENTS IN REVENUES, EXPENSES AND OTHER COMPREHENSIVE INCOME

PROFIT AND PROFITABILLITY

Net profit attributed to the shareholders of the Bank amounted to NIS 631 million in the first three months of 2023, as compared to NIS 322 million in the same period last year, an increae of 96.0%.

The return of net profit to the capital attributed to the shareholders of the Bank (annualized) amounted to 23.6% in the period January-March 2023, compared to 13.0% in the same period last year and 16.6% in 2022.

Condensed statement of income

	For the three months ended March 31,		
	2023	2022	change
		NIS million	%
Net financing earnings(1)	**1,311**	778	68.5
Expenses from credit losses	**72**	-	
Net financing earnings after expenses from credit losses	**1,239**	778	59.3
Fees and other income	**389**	392	(0.8)
Operating and other expenses	**724**	684	5.8
Profit before taxes	**904**	486	86.0
Provision for taxes on profit	**315**	169	86.4
The bank's share in profit of equity-basis investee, after taxes	**65**	17	282.4
Net profit:			
Before attribution to non-controlling interests	**654**	334	95.8
Attributed to non-controlling interests	**(23)**	(12)	91.7
Attributed to shareholders of the Bank	**631**	322	96.0
Net return on equity attributed to the Bank's shareholders(2)	**23.6%**	13.0%	

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

(2) Annualized.

DEVELOPMENT IN INCOME AND EXPENSES

The Net Financing earnings

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

	2023				2022
	Q1	Q4	Q3	Q2	Q1
					NIS million
Interest income	**2,176**	1,804	1,382	1,104	871
Interest expenses	**901**	614	372	245	127
Net interest income	**1,275**	1,190	1,010	859	744
Non-interest financing income (expenses)	**36**	53	48	(22)	34
Net reported financing earnings	**1,311**	1,243	1,058	837	778
Elimination of non-current activities:					
Reconciliations to fair value of derivative instruments	**(7)**	22	(9)	(4)	(14)
Income (expenses) from realization and reconciliations to fair value of bonds	**(8)**	(39)	(2)	(1)	11
Earnings (losses) from investments in shares	**(6)**	(6)	(6)	(56)	4
Total non-current activities	**(21)**	(23)	(17)	(61)	1
Financing earnings from current activity(1)	**1,332**	1,266	1,075	898	777

(1) Of which in respect of changes in the CPI - an income of NIS 66 million in the first three months of 2023, in comparison with an income of NIS 47 million in the same period last year.

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

The financing earnings from current activity amounted to NIS 1,332 million, compared with NIS 777 million in the corresponding period last year, an increase of 71.4%. The increase is explained by the raise in the interest rate, Dollar interest rate and NIS interest rate, from the effect of the increase in the volume of the business activity and from the effect of the changes in the CPI.

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

	For the three months ended March 31,	
	2023	2022
		in %
Income rate on asset bearing interest(1)	**5.09**	2.20
Expense rate on liabilities bearing interest(1)	**3.12**	0.58
Total interest spread	**1.97**	1.62
Ratio between net interest income and assets bearing interest balance(1)	**2.98**	1.88

(1) Annualized.

In the first three months of the year, an increase occurred in the ratio between net interest income and assets bearing interest balance, compared with the same period last year, of 1.10%. The increase derives from the raise in interest income, mostly due to the raise in the Dollar and NIS interest rates.

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

Expenses from credit losses amounted to NIS 72 million in the first three months of 2023. In the corresponding period last year, no expenses from credit losses were recorded. In the first three months of the expenses deriving from an increase in the collective provision, in an amount of NIS 86 million, due to adjustments of the collective provision for credit losses, in respect of the concern of anticipated macro-economic effects,inlight of the uncertainty in macroeconomic conditions, among other, due to the effects of the interest rates hikes, the developments of the geopolitical conditions in Israel and globaly and the probability of economic recession. The individual provision for credit losses in the first three months of 2023 amounted to an income of NIS 14 million, compared with NIS 6 million in the corresponding period last year.

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

	For the three months ended March 31,	
	2023	**2022**
		NIS million
Individual expense in respect of credit losses	**26**	25
Decrease in individual expense in respect of credit losses and collection of debts written off in accounting	**(40)**	(31)
Individual income, net in respect of credit losses	**(14)**	(6)
Collective expense in respect of credit losses	**86**	6
Total expenses in respect of credit losses	**72**	-
Of which:		
Expenses (income) in respect of commercial credit	**61**	(11)
Expenses in respect of housing credit	**-**	1
Expenses in respect of other private credit	**11**	10
		In %
Ratio of individual income in respect of credit losses to average total credit to the public(1)	**(0.05%)**	(0.02%)
Ratio of collective expense in respect of credit losses to average total credit to the public(1)	**0.30%**	0.02%
Ratio of total expenses in respect of credit losses to average total credit to the public(1)	**0.25%**	-

(1) Annualized.

Fees totaled NIS 388 million in the first three months of 2023, compared with NIS 384 million in the same period last year, an increase of 1.0%.

Set out below are details of fees income:

	For the three months ended	
	March 31, 2023	**March 31, 2022**
		NIS million
Account management	**56**	52
Credit cards	**29**	29
Transactions in securities	**187**	203
Conversion differentials	**62**	50
Fees from financing transactions	**26**	24
Other Fees	**28**	26
Total Fees	**388**	384

Operating and other expenses totaled NIS 724 million in the first three months of 2023, compared with NIS 684 million in the same period last year, an increase of 5.8%.

Set out below are details of operating and other expenses:

	For the three months ended	
	March 31, 2023	**March 31, 2022**
		NIS million
Salaries and related expenses	**449**	414
Maintenance and depreciation of premises and equipment	**84**	81
Amortization of intangible assets	**30**	27
Other expenses	**161**	162
Total operating and other expenses	**724**	684

Salaries and related expenses totaled NIS 449 million in the first three months of 2023, compared with NIS 414 million in the same period last year, an increase of 8.5%, explained mainly by the provision for bonuses.

Maintenance and depreciation of buildings and equipment expenses amounted to NIS 84 million in comparison to NIS 81 million in the same period last year, an increase of 3.7%.

Other expenses totaled NIS 161 million in the first three months of 2023, compared with NIS 162 million in the same period last year.

The provision for taxes on operating earnings amounted to NIS 315 million in the first three months of 2023, compared with NIS 169 million in the same period last year. The effective tax rate as a proportion of earnings before taxes amounted to 34.8%, similar to the same period last year and compared with the statutory rate of tax of 34.2%.

The Bank's share in the operating earnings of investee company after the tax effect amounted to NIS 65 million, compared with NIS 17 million in the same period last year. The increase derived mainly from the consumation of the sale transaction of ICC building.

The total comprehensive income attributed to the shareholders of the Bank amounted to NIS 607 million. This amount was affected by the net profit for the period attributed to the shareholders of the Bank of NIS 631 million, by other comprehensive loss in respect of adjustments to reconsile available-for-sale bonds to market value in an amount of NIS 21 million and by other comprehensive loss in respect of employees' benefits in an amount of NIS 3 million.

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

The consolidated balance sheet as of March 31, 2023 amounted to NIS 204,312 million compared with NIS 195,955 million as of December 31, 2022, an increase of 4.3%.

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

	March 31, 2023	December 31, 2022	Change
		%	NIS million
Credit to the public, net	**118,502**	115,961	2.2
Securities	**19,756**	16,010	23.4
Cash and deposits with banks	**57,763**	57,130	1.1
Deposits from the public	**173,390**	168,269	3.0
Bonds and subordinated capital notes	**4,770**	4,749	0.4
Shareholders' equity	**10,888**	10,559	3.1

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

	March 31, 2023	December 31, 2022	Change
		NIS million	%
Off-balance sheet financial instruments excluding derivatives:			
Documentary credit	**280**	572	(51.0)
Guarantees and other liabilities	**10,943**	10,860	0.8
Unutilized credit lines for derivatives instruments	**2,827**	3,303	(14.4)
Unutilized revolving credit and other on-call credit facilities	**11,810**	11,672	1.2
Unutilized credit lines for credit card facilities and facilities for the lending of securities	**9,919**	9,991	(0.7)
Irrevocable commitments to grant credit, not yet executed and commitments to issue guarantees	**7,616**	7,429	2.5
Total	**43,395**	43,827	(1.0)

Derivative financial instruments:

	March 31, 2023			December 31, 2022		
	Positive fair value	Negative fair value	Face value	Positive fair value	Negative fair value	Face value
						NIS million
Interest contracts	**473**	**297**	**20,107**	519	301	21,741
Currency contracts	**1,306**	**1,008**	**90,903**	1,003	719	66,898
Contracts in respect of shares	**2,266**	**2,265**	**61,631**	1,301	1,300	55,142
Commodities and other contracts	**2**	**2**	**175**	2	2	132
Total	**4,047**	**3,572**	**172,816**	2,825	2,322	143,913

Credit to the public, net as of March 31, 2023 amounted to NIS 118,502 million compared with NIS 106,254 million as of March 31, 2022 and NIS 115,961 million as of December 31, 2022, an increase of 11.5% and 2.2%, respectively.

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

					Segment's share of credit to the public as of	
	March 31, 2023	**December 31, 2022**		**Change**	**March 31, 2023**	**December 31, 2022**
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**96,555**	95,804	751	0.8	**81.5**	82.6
- CPI-linked	**14,436**	14,095	341	2.4	**12.2**	12.2
Foreign currency (including f-c linked)	**6,751**	5,342	1,409	26.4	**5.7**	4.6
Non-monetary items	**760**	720	40	5.6	**0.6**	0.6
Total	**118,502**	115,961	2,541	2.2	**100.0**	100.0

Gross Credit to the public by segment of activity

			As of		Change
	March 31, 2023	**March 31, 2022**	**December 31, 2022**	**March 31, 2022**	**December 31, 2022**
			NIS million		%
Large business segment	**30,725**	20,672	27,389	48.6	12.2
Medium business segment	**7,835**	6,714	8,215	16.7	(4.6)
Small and minute business segment	**20,725**	21,947	20,468	(5.6)	1.3
Household segment excluding housing loans	**23,492**	22,984	23,571	2.2	(0.3)
Housing loans	**35,516**	33,325	35,474	6.6	0.1
Private banking segment	**97**	109	97	(11.0)	-
Institutional entities	**1,602**	1,591	2,010	0.7	(20.3)
Total	**119,992**	107,342	117,224	11.8	2.4

Total credit risk to the public is comprised of balance-sheet credit risk, which includes credit to the public, investments in bonds of the public and assets deriving from financial derivative instruments purchased by the public, and from off-balance-sheet credit, which includes transactions in off-balance-sheet financial instruments, unutilized credit lines and liabilities for the granting of credit.

Total credit risk to the public amounted to NIS 161,834 million on March 31, 2023 compared with NIS 159,471 million on December 31, 2022, an increase of 1.5%.

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

Sector	March 31, 2023		December 31, 2022		
	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)	**24,362**	**15.0**	22,654	14.2	7.5
Construction and real estate	**25,140**	**15.5**	24,876	15.6	1.1
Industry	**11,578**	**7.2**	11,379	7.1	1.7
Commerce	**9,887**	**6.1**	9,953	6.2	(0.7)
Private customer, including housing loans	**74,716**	**46.2**	74,721	46.9	-
Others	**16,151**	**10.0**	15,888	10.0	1.7
Total	**161,834**	**100.0**	159,471	100.0	1.5

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

					March 31, 2023
Borrower no.	Sector of the economy	Balance-sheet credit risk*	Off-balance-sheet credit risk	Aggregate credit risk	Aggregate credit risk after permitted deductions
					NIS million
1.	Financial services	**-**	**1,019**	**1,019**	**1,019**
2.	Financial services	**615**	**398**	**1,013**	**622**
3.	Financial services	**1,012**	**-**	**1,012**	**1,012**
4.	Financial services	**266**	**701**	**967**	**967**
5.	Construction and real estate - construction	**568**	**346**	**914**	**896**
6.	Financial services	**831**	**3**	**834**	**834**

					December 31, 2022
Borrower no.	Sector of the economy	Balance-sheet credit risk*	Off-balance-sheet credit risk	Aggregate credit risk	Aggregate credit risk after permitted deductions
					NIS million
1.	Financial services	666	444	1,110	642
2.	Financial services	1,001	-	1,001	1,001
3.	Construction and real estate - construction	648	269	917	886
4.	Financial services	822	15	837	30
5.	Financial services	134	701	835	835
6.	Financial services	631	204	835	835

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

The investment in securities as of March 31, 2023 totaled NIS 19,756 million compared with NIS 16,010 million at the end of 2022, an increase of 23%.

Set out below is the composition of the portfolio:

	March 31, 2023	December 31, 2022	Share of total securities March 31, 2023	Share of total securities December 31, 2022
		NIS million		%
Government bonds	**18,474**	14,691	**93.5**	91.7
Banks' bonds (1)	**687**	655	**3.5**	4.1
Corporate bonds	**181**	219	**0.9**	1.4
Shares (2)	**414**	445	**2.1**	2.8
Total	**19,756**	16,010	**100.0**	100.0

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

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

	March 31, 2023	December 31, 2022	Change	Change	Segment's share of total securities March 31, 2023	Segment's share of total securities December 31, 2022
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**7,192**	6,806	386	5.7	**36.4**	42.5
- CPI-linked	**1,837**	1,193	644	54.0	**9.3**	7.5
Foreign currency denominated & linked	**10,313**	7,566	2,747	36.3	**52.2**	47.2
Non-monetary items	**414**	445	(31)	(7.0)	**2.1**	2.8
Total	**19,756**	16,010	3,746	23.4	**100.0**	100.0

Set out below are the sources for the price quotations which the Bank used for determining the fair value of securities on March 31, 2023:

	Price quoted in active market	Indicative price*	Counter-party price**	Total
				NIS million
Shares and private investment funds	**202**	**64**	**148**	**414**
Local currency government bonds	**8,633**	**-**	**-**	**8,633**
Local currency corporate bonds	**302**	**94**	**-**	**396**
Foreign-currency and f-c linked bonds	**34**	**10,279**	**-**	**10,313**
Total	**9,171**	**10,437**	**148**	**19,756**
% of portfolio	**46.4**	**52.9**	**0.7**	**100.0**

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

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

	March 31, 2023	December 31, 2022
		NIS million
Israel (incl. Israel Government - NIS 3,121 million, 31.12.22 - NIS 3,454 million)	**3,208**	3,495
USA (incl. USA Government - NIS 6,721 million, 31.12.22 - NIS 3,683 million)	**6,855**	3,791
France	**17**	27
Canada	**109**	106
Far East, Australia and others (2 countries; 31.12.22 - 1 country)	**69**	38
Europe others (2 countries, 31.12.22 - 4 countries)	**55**	109
Total	**10,313**	7,566

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

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

	March 31, 2023	December 31, 2022
		NIS million
Electricity and water	**25**	44
Construction and real estate	**24**	35
Financial services	**21**	23
Banks	**278**	295
Industry	**11**	12
Commerce	**37**	36
Total	**396**	445

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

- **Bonds denominated in or linked to foreign currency** - amounting to NIS 10,313 million (Dollar 2,853 million) (includes mainly foreign currency denominated Israel Government bonds amounting to NIS 3,121 million and bonds of USA government amounting to NIS 6,721 million). All of the foreign bonds are investment grade and 99% rated A or higher. This portfolio is diversified, in a manner whereby exposure to any single issuer (which is not a government) does not exceed 0.5% of the total foreign currency bond portfolio. The duration (average term-to-maturity) of the foreign currency bond portfolio is 1.3 years. The balance of unrealized gross losses (included in shareholders' equity under reconciliations to fair value in respect of the presentation of bonds available for sale) as of the report date in respect of this portfolio amounted to NIS 48 million (Dollar 13 million) compared with gross losses of NIS 17 million (Dollar 5 million) on December 31, 2022.

The balance of losses, net (before the tax effect), included in other cumulative comprehensive profit, in respect of the difference between the fair value of bonds included in the available-for-sale portfolio and their amortized cost, as of March 31, 2023, amounted to NIS 366 million (NIS 228 million, net after tax).

Cash and deposits at banks on March 31, 2023 totaled NIS 57,763 million compared with NIS 57,130 million at the end of 2022, an increase of 1.1%.

Deposits from the public on March 31, 2023 totaled NIS 173,390 million compared with NIS 168,269 million at the end of 2022, an increase of 3.0%.

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

	As of				Segment's share of total deposits from the public on	
	March 31, 2023	**December 31, 2022**		**Change**	**March 31, 2023**	**December 31, 2022**
		NIS million	NIS million	%	%	%
Local currency						
- Non-linked	**132,635**	130,157	2,478	1.9	**76.5**	77.4
- CPI-linked	**5,893**	5,990	(97)	(1.6)	**3.4**	3.5
Foreign currency denominated & linked	**34,102**	31,402	2,700	8.6	**19.7**	18.7
Non-monetary items	**760**	720	40	5.6	**0.4**	0.4
Total	**173,390**	168,269	5,121	3.0	**100.0**	100.0

Deposits from the public by segment of activity

			As of		Change
	March 31, 2023	**March 31, 2022**	**December 31, 2022**	**March 31, 2022**	**December 31, 2022**
			NIS million		%
Large business	**15,522**	14,884	17,753	4.3	(12.6)
Medium business	**6,660**	7,076	6,834	(5.9)	(2.5)
Small and minute business	**26,346**	26,487	27,325	(0.5)	(3.6)
Household	**69,262**	65,391	68,122	5.9	1.7
Private banking	**10,586**	9,678	10,430	9.4	1.5
Institutional entities	**45,014**	30,522	37,805	47.5	19.1
Total	**173,390**	154,038	168,269	12.6	3.0

Securities portfolios belonging to customers of the Bank Group

The total of the securities portfolios of customers of the Bank Group as of March 31, 2023, amounted to NIS 411 billion, as compared to NIS 392 billion at the end of 2022, an increase of 4.8%.

Bonds and subordinated capital notes amounted at March 31, 2023 to NIS 4,770 million, as compared with NIS 4,749 million at December 31, 2022, an increase of 0.4%.

CAPITAL AND CAPITAL ADEQUACY

The capital attributed to the shareholders of the Bank amounted on March 31, 2023 to NIS 10,888 million, as compared with NIS 10,559 million on December 31, 2022, an increase of 3.1%. The change in capital attributed to the Bank's shareholders was affected by net earnings of NIS 631 million. On the other hand, the capital decreased due to the payment of dividends amounting to NIS 268 million, to other comprehensive loss of NIS 21 million stemming from the presentation of available-for-sale bonds at fair value, by other comprehensive loss in respect of employees benefits of NIS 3 million and of NIS 10 million reflecting the effect of the initial implementation of US accounting principles regarding expected credit losses in affiliated company.

CAPITAL ADEQUACY

Minimum capital ratios

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

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

In view of the spreading of the Coronavirus and as part of the adjustment to Proper Conduct of Banking Business directives, the Supervisor of Banks published, Proper Conduct of Banking Business Directive No. 250, which, inter alia, contained the Provisional Instruction concerning the update of Directive 201, which includes a reduction of 1% of the minimal capital requirements applying to banks and an update to Directive 329, which cancels the demand of additional 1% applying to residential loans for the purpose of the purchase of a residential apartment granted in the period from March 19, 2020 to March 31, 2021, and to residential loans, secured by a mortgage on an apartment, not for the purpose of purchasing rights in real estate (hereinafter - "loans for any purpose"), granted since March 19, 2020.

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

In view of all that stated above, the minimal Tier I equity capital ratio and the minimal comprehensive capital ratio required from the Bank by the Supervisor of Banks, amount on a consolidated basis, as of March 31, 2023, to 9.24% and 12.50%, respectively.

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

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

For detailed information, see the risk report for 2022, on the Bank's website.

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

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

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

Stress tests

The Bank implements infrastructure of stress tests in order to examine the capital propriety and examines the capital ratios according to the triennial capital planning. The outline includes, inter alia, holistic stress tests, "rolling" over three years, in respect of credit risks, financial risks, operational risks including cyber, AML, compliance, strategy, reputation, operational etc. The outline of the stress tests also includes adjustements to the current economic environment.
For detailed information, see the risk report as of December 31, 2022, on the Bank's website.

Operational Efficiency

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

- A decision was taken in the third quarter of 2018, for the merger of Otsar Hahayal, and accordingly, on January 1, 2019, Otsar Hahayal merged with and into the Bank. In respect of this move, the Group has recorded an enlarged allowance for severance compensation in the amount of NIS 82 million (NIS 53 million net after the tax effect). Save for the said relief, the implementation of efficiency measures as of March 31, 2023, would have led to an additional reduction of 0.01% in the capital adequacy ratios.
- On July 28, 2020 and on November 3, 2020, the Board of Directors approved an efficiency plan, according to which 60 regular employees of the Bank, belonging to the defined target population, will be allowed to opt for early retirement under preferred conditions.
  The plan increased other comprehensive loss (gross) in an amount of NIS 48 million, in respect of severance compensation liability and post-retirements benefits.
  In addition, in the fourth quarter of the year 2020, an additional provision for enlarged severance compensation was recorded, in an amount of NIS 50 million, in respect of another early retirement anticipated in the coming years. Total net effect, after tax in respect of these actions amounted to NIS 65 million. Save for the said relief, the implementation of efficiency measures as of March 31, 2023, would have led to an additional reduction of 0.03% in the capital adequacy ratios.

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

Starting with January 1, 2022, the Bank applies the new rules regarding provisions for credit losses, while recognizing in retained earnings the cumulative effect at date of initial implementation.
On December 1, 2020, the Supervisor of Banks published a letter in the matter of "regulatory capital - effect of implementation of accounting principles regarding expected credit losses", which included, inter alia, an update of Proper

Conduct of Banking Business Directive No. 299, according to which, it is stated that to the extent that as a result of the initial implementation of these rules, the Tier I equity capital of a banking corporation has declined, then the bank may spread the amount of the decline over a period of three years (hereinafter - "the transition period"). Save for this relief, as stated, the initial implementation of the said rules, would have led to an additional decline of 0.01% in the capital adequacy ratio as of March 31, 2023.

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

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

Subsequential to this, the Bank adopted the relief set in the letter, according to which, the effect of the change in the risk weight on the capital ratio, in respect of the balance of loans as of June 30, 2022, may be spread in constant quarterly rates until June 30, 2023. Save for this relief, as stated, as of March 31, 2023, the implementation would have decrease tier 1 equity capital and the comprehensive equity capital in the rate of 0.02%.

The effect of the credit rating of the state of Israel

The credit rating of the state of Israel has an effect on capital requirements, since the local exposures to governments, public sector entities and financial institutions, are derived from the credit rating of the state of Israel. The Bank estimates, that if and as much as the credit rating of Israel will decrease by one notch by the credit rating agency S&P, it will lead to a decrease of 0.26% and 0.35% in Tier 1 equity capital and the compehensive equity capital, respectively, as of March 31, 2023.

Implementation of the instructions

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

Pillar II - the Bank is required to conduct an internal process for the assessment of capital adequacy (the ICAAP process). This process is designed to ensure the maintenance of an adequate level of capital means supporting the overall risks inherent in the operations of the Bank. The ICAAP document relating to the data as of June 30, 2022, has been dully submitted to bank of Israel.

The infrastructure for the capital adequacy, as approved by the Bank, serves as a basis for the internal process conducted at the banking subsidiary, subject to required adjustments, and on the basis of its specific risk profile.

		March 31, 2023	December 31, 2022
		As of	
1.	**Capital for calculation of capital ratio, after deduction and supervisory adjustments**		
	Tier 1 capital, after deductions and supervisory adjustments	**11,125**	10,802
	Tier 2 capital, after deductions	**3,487**	3,448
	Total capital	**14,612**	14,250
2.	**Weighted balances of risk assets**		
	Credit risk	**96,378**	94,786
	Market risk	**841**	789
	Operational risk	**8,209**	8,061
	Total weighted balances of risk assets	**105,428**	103,636
3.	**Ratio of capital to risk assets**		
	Raito of tier 1 equity capital to risk assets	**10.55%**	10.42%
	Comprehensive ratio of capital to risk assets	**13.86%**	13.75%
	Minimal ratio of equity capital tier 1 required by the Supervisor of banks	**9.24%**	9.24%
	Minimal ratio of comprehensive capital required by the Supervisor of Banks	**12.50%**	12.50%

The Tier I equity capital ratio as of March 31, 2023, amounted to 10.55% in comparison with 10.42% on December 31, 2022. The ratio of comprehensive capital to risk components as of March 31, 2023, amounted to 13.86%, in comparison with 13.75% on December 31, 2022.

The comprehensive capital as of March 31, 2023 amounted to NIS 14,612 million, in comparison with NIS 14,250 million on December 31, 2022.

The capital base was affected from earnings of NIS 631 million, from an increase in instruments issued by the Bank qualified for inclusion in the regulatory capital in the amount of NIS 25 million. However, this increase was offset by dividend paid in the amount of NIS 268 million by other comprehensive loss in respect of presentation of available for sale bonds at fair value in the amount of NIS 21 million and by other comprehensive loss in respect of employees' benefits in the amount of NIS 3 million.

Risk assets as of March 31, 2023 amounted to NIS 105,428 million as compared with NIS 103,636 million on December 31, 2022, an increase of 1.7%, stemming from an increase in credit to the public.

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

	March 31, 2023	December 31, 2022
		In percent
Bank Massad Ltd.		
Ratio of Tier 1 capital to risk assets	**15.63%**	15.12%
Ratio of comprehensive capital to risk assets	**16.76%**	16.25%

Leverage ratio - The Bank implements the Proper Conduct of Banking Business Directive No. 218 in the matter of leverage ratio (hereinafter - "the Directive"). The leverage ratio is expressed in percentages and is defined as the ratio between capital measurement and exposure measurement. Capital for the purpose of measuring the leverage ratio is the Tier I equity capital, as defined in Proper Conduct of Banking Business Directive No. 202. In accordance with the Directive, a banking corporation should attain a leverage ratio of no less than 5% on a consolidated basis, applying to a banking corporation, the total consolidated stated assets of which do not exceed 24% of total stated assets of the banking sector as a whole (including the Bank). On November 15, 2020 the Bank of Israel published an update to Proper Conduct of Banking Business Directive No. 250 - Adjustments to Proper Conduct of Banking Business Directives in order to cope with the Coronavirus crisis (Provisional Instruction), within its framework was updated Proper Conduct of Banking Business directive No. 218 in the matter of Leverage Ratio. The update mitigates the requirement of the leverage ratio by 0.5 percent point, so the Bank has to comply with leverage ratio of no less than 4.5% (instead of 5%) on a consolidated basis, being a banking corporation, the total consolidated stated assets of which does not exceed 24% of total stated assets of the banking sector as a whole. In accordance with the letter amending Proper Conduct of Banking Business Directive No.250, of May 15, 2022, the relief will be valid until June 30, 2024, provided that the leverage ratio will not be less than the leverage ratio at December 31, 2023, or the minimal leverage ratio applying to the Bank prior to the Provisional Instruction, whichever is lower.
The leverage ratio of the Bank as of March 31, 2023, amounts to 5.15%, compared to 5.19% as of December 31, 2022.

DIVIDEND DISTRIBUTION POLICY

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

It should be noted that in addition to the provisions of the Companies Law, dividend distribution by the Bank is subject to additional restrictions that are detailed in Note 24A.b. to the financial statements for the year 2022.

Taking into consideration that the dividend distribution policy relates to an annual distribution of up to 50% of net earnings for the year, and principally on background of the uncertainty level prevailing in Israel and globally, the Board of Directors of the Bank decided on May 17, 2023, to approve a dividend distribution in cash to the shareholders of the Bank in a total amount of NIS 220 million (gross), comprising approximately 35% of net earnings, according to the financial statements of the Bank for the first quarter of 2023.
The ex-dividend date for the payment of the dividend is May 24, 2023, and the date of payment will be June 1, 2023. The amount of the dividend is before taxes, including withholding tax that the Bank has to deduct in accordance with the law.

Following are details regarding dividends as from the year 2020:

Declaration date	Payment date	Total dividend paid	Dividend per share
		NIS million	NIS
March 15, 2020	March 31, 2020	125	1.25
August 17, 2021	September 1, 2021	225	2.24
November 23,2021	December 13, 2021	320	3.19
January 6, 2022	January 24, 2022	215	2.14
March 7, 2022	March 24, 2022	165	1.65
May 24, 2022	June 12, 2022	160	1.59
August 24, 2022	September 1, 2022	170	1.70
November 22, 2022	December 8, 2022	235	2.34
March 21, 2023	April 4, 2023	268	2.67
May 17, 2023	June 1, 2023	220	2.19

SUPERVISORY SEGMENTS OF ACTIVITY

The reporting on segments of activity is in accordance with the format and classification set in the Directive of the Reporting to the Public of the Supervisor of Banks. This reporting is materialy defferent from the segments of activity used by the Bank according to Management approach, which are detailed in Note 28A to the financial statements for the year 2022. The supervisory segements of activity are reported in a uniform format that was set by the Supervision of Banks to the entire banking system, and they are based on the customers characteristics, such as: the volume of assets protfolio- for private customers, or the business turnover- for business customers.

For the definitions of the supervisory segements of activity and for details regarding main instructions, estimates and principals of reporting, see Note 28 to the financial statements for the year 2022.

For details regarding segments of activity according to management's approach, see Note 28A to the financial statements for the year 2022.

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

a. Total income*

	For the three months ended March 31,			Segment's share of total income For the three months ended March 31,	
	2023	2022	Change	2023	2022
		NIS million	%		%
Large business	**198**	111	78.4	**11.6**	9.5
Medium business	**103**	59	74.6	**6.1**	5.0
Small and minute business	**396**	258	53.5	**23.3**	22.0
Household	**814**	469	73.6	**47.9**	40.1
Private banking	**56**	30	86.7	**3.3**	2.6
Institutional entities	**104**	65	60.0	**6.1**	5.6
Financial management	**29**	178	(83.7)	**1.7**	15.2
Total	**1,700**	1,170	45.3	**100.0**	100.0

b. Net profit attributed to the shareholders of the bank

	For the three months ended March 31,	
	2023	2022
		NIS million
Large business	**88**	47
Medium business	**30**	15
Small and minute business	**117**	63
Household	**259**	58
Private banking	**22**	7
Institutional entities	**38**	15
Financial management	**77**	117
Total	**631**	322

* Including net interest income and non-interest income.

c. Average balance sheet balances*

	Credit to the public			% of credit to the public	
	For the three months ended March 31,			For the three months ended March 31,	
	2023	2022	Change	2023	2022
		NIS million	%	%	%
Large business	**28,714**	19,421	47.9	**24.5**	18.8
Medium business	**7,941**	6,246	27.1	**6.8**	6.1
Small and minute business	**20,937**	21,103	(0.8)	**17.9**	20.5
Household	**57,809**	54,669	5.7	**49.3**	53.0
Private banking	**85**	92	(7.6)	**0.1**	0.1
Institutional entities	**1,680**	1,510	11.3	**1.4**	1.5
Total	**117,166**	103,041	13.7	**100.0**	100.0

	Deposits from the public			% of deposits from the public	
	For the three months ended March 31,			For the three months ended March 31,	
	2023	2022	Change	2023	2022
		NIS million	%	%	%
Large business	**16,018**	15,702	2.0	**9.6**	10.2
Medium business	**6,581**	7,071	(6.9)	**4.0**	4.6
Small and minute business	**26,490**	26,279	0.8	**16.0**	17.0
Household	**67,913**	64,438	5.4	**40.9**	41.7
Private banking	**10,334**	9,525	8.5	**6.2**	6.2
Institutional entities	**38,713**	31,372	23.4	**23.3**	20.3
Total	**166,049**	154,387	7.6	**100.0**	100.0

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

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

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

	For the three months ended March 31, 2023				For the three months ended March 31, 2022			
	Small and minute business	Medium business	Large business	Total	Small and minute business	Medium business	Large business	Total
								NIS million
Net interest income	**296**	**82**	**155**	**533**	158	41	77	276
Non-interest income	**100**	**21**	**43**	**164**	100	18	34	152
Total income	**396**	**103**	**198**	**697**	258	59	111	428
Expenses (income) from credit losses	**31**	**25**	**6**	**62**	(10)	7	(8)	(11)
Operating and other expenses	**179**	**30**	**55**	**264**	171	27	46	244
Net profit attributed to the shareholders of the Bank	**117**	**30**	**88**	**235**	63	15	47	125
Average balance of credit to the public	**20,937**	**7,941**	**28,714**	**57,592**	21,103	6,246	19,421	46,770
Balance of credit to the public at the end of the reported period	**20,725**	**7,835**	**30,725**	**59,285**	21,947	6,714	20,672	49,333
Average balance of deposits from the public	**26,490**	**6,581**	**16,018**	**49,089**	26,279	7,071	15,702	49,052
Balance of deposits from the public at the end of the reported period	**26,346**	**6,660**	**15,522**	**48,528**	26,487	7,076	14,884	48,447

Main changes in the results of activity in the first three months of 2023 compered with the coresponding period last year

Total net interest income amounted to NIS 533 million, compared with NIS 276 million in the same period last year, an increase of 93.1%, stemming from the effect of the NIS and Dollar interests rates increase and the increase in the volume of activity.

Non-interest income amounted to NIS 164 million, compared to NIS 152 million in the corresponding period last year, an increase of 7.9%, stemming from the increase in income from capital markets and income from conversion differentials.

Expenses in respect of cresit losses amounted to NIS 62 million, in comparison with an income of NIS 11 million in the same period last year. In the first three months of the year, expenses were recorded, deriving from an increase in the collective provision, due to adjustments made as a result of the concern of anticipated macro effects, inlight of the uncertainty in the economic conditions, the impact of the increase in the interest rate ocaly and globally and the probability to an economic recession.

The operating and other expenses amounted to NIS 264 million, compared to NIS 244 million in the corresponding period last year, an increase of 8.2%, deriving mainly from an increase salaries and related expenses.

The net profit attributed to the shareholders of the Bank amounted to NIS 235 million, in comparison with NIS 125 million in the same period last year. The growth in net earnings is explained by the increase in the interest income, partially offset by the increase in expenses from credit losses.

Average balance of credit to the public amounted to NIS 57,592 million, in comparison with NIS 46,770 million in the same period last year, an increase of 23.1%.

Credit to the public as of March 31, 2023 amounted to NIS 59,285 million, in comparison with NIS 49,333 million on March 31, 2022, an increase of 20.2%.

Average balance of deposits from the public amounted to NIS 49,089 million, in comparison with NIS 49,052 million in the same period last year.

Deposits from the public as of March 31, 2023 amounted to NIS 48,528 million, in comparison with NIS 48,447 million on March 31, 2022.

PRIVATE INDIVIDUALS SEGMENTS - HOUSEHOLDS AND PRIVATE BANKING

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

	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
	households	private banking	Total	households	private banking	Total
						NIS million
Net interest income	**662**	**32**	**694**	312	5	317
Non-interest income	**152**	**24**	**176**	157	25	182
Total income	**814**	**56**	**870**	469	30	499
Expenses from credit losses	**11**	**-**	**11**	11	-	11
Operating and other expenses	**375**	**22**	**397**	359	19	378
Net profit attributed to the shareholders of the Bank	**259**	**22**	**281**	58	7	65
Average balance of credit to the public	**57,809**	**85**	**57,894**	54,669	92	54,761
Balance of credit to the public at the end of the reported period	**59,008**	**97**	**59,105**	56,309	109	56,418
Average balance of deposits from the public	**67,913**	**10,334**	**78,247**	64,438	9,525	73,963
Balance of deposits from the public at the end of the reported period	**69,262**	**10,586**	**79,848**	65,391	9,678	75,069

Main changes in the results of activity in the first three months of 2023 compered with the coresponding period last year

Total net interest income amounted to NIS 694 million, as compared with NIS 317 million in the corresponding period last year, an increase of 118.9%, stemming from an increase in the NIS and Dollar interest rates and from an increase in the volume of activity.

Non-interest income amounted to NIS 176 million, in comparison with NIS 182 million in the corresponding period last year, a decrease of 3.3%.

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

Operating and other expenses amounted toNIS 397 million in the first three months of 2023, compared with NIS 378 million in the corresponding period last year, an increase of 5.0%, derived mainly from an increase in salaries and related expenses.

The net profit attributed to the shareholders of the Bank amounted to NIS 281 million, compared with NIS 65 million in the corresponding period last year. The increase in net profit derived from the increase in interest income, as above.

Average balance of credit to the public amounted to NIS 57,894 million, in comparison with NIS 54,761 million in the same period last year, an increase of 5.7%.

Credit to the public as of March 31, 2023 amounted to NIS 59,105 million, in comparison with NIS 56,418 million on March 31, 2022, an increase of 4.8%.

Average balance of deposits from the public amounted to NIS 78,247 million, in comparison with NIS 73,963 million in the same period last year, an increase of 5.8%.

Deposits from the public as of March 31, 2023 amounted to NIS 79,848 million, in comparison with NIS 75,069 million on March 31, 2022, an increase of 6.4%.

FINANCIAL MANAGEMENT SEGMENT

Total income attributed to this segment in the first three months of the year amounted to NIS 29 million compared with NIS 178 million in the corresponding period last year.

The net earnings of the Financial Management Segment in the first three months of the year amounted to NIS 77 million compared with NIS 117 in the corresponding period last year.

PRINCIPAL INVESTEE COMPANIES

Bank Massad Ltd. (hereinafter - "Massad") - in which the Bank owns 51.0% of the share capital and voting rights, is a commercial bank which specializes in providing services to the teaching staff population in Israel.
The Bank’s investment in Massad amounted to NIS 522 million on March 31, 2023.
Total assets of Massad on March 31, 2023 amounted to NIS 11,406 million compared with NIS 11,268 million on December 31, 2022, an increase of 1.2%.
Shareholders' equity of Massad on March 31, 2023, totaled NIS 1,023 million compared with NIS 972 million on December 31, 2022, an increase of 5.2%.
Net earnings of Massad for the first three months of the year totaled NIS 46.2 million compared with NIS 24.9 million in the same period last year, an increase of 85.5%, mainly explained by the effect of the increase in the NIS and Dollar interest rates and from the increase in the volume of the business activity.
The Bank's share in Massad's operating results for the first three months of the year amounted to NIS 23.6 million compared with NIS 12.7 million in the same period last year, an increase of 85.8%.
Net return on equity (on an annualized basis) amounted to 18.2% compared with 11.2% in the corresponding period last year. The comprehensive ratio of capital to risk assets amounted to 16.76%, compared with 16.25% at the end of 2022. The Tier 1 equity capital ratio amounted to 15.63% compared with 15.12% at the end of 2022.
In the framework of the ICAAP process for the data of June 30, 2022 the minimal capital targets were set by the Board of Directors of Massad, as follows: tier 1 equity capital ratio will not be less than 10.5% until December 31, 2023 and the comprehensive capital ratio will be no less than 12.65% until December 31, 2023.

Israel Credit Cards Ltd. ("ICC") - The Bank holds 28.2% of equity and 21.0% of voting rights in ICC.
ICC markets and issues credit cards and settles credit card transactions of the international Visa and MasterCard brands, markets and operates Diners credit cards on an exclusive basis in Israel, and also settles credit cards of Isracard brand.
The Bank’s investment in ICC amounted to NIS 730 million on March 31,2023.
The ratio of comprehensive capital to risk assets amounted to 13.9%, compare with 13.5% at the end of 2022.
The Bank’s share in the net earnings of ICC, before the tax effect, amounted in the first three months of the year to NIS 73.2 million, as compared with NIS 19.7 million in the corresponding period last year. The increase in net earnings is explained by one-time effects as follows:

A. Recording of profit in the amount of NIS 231 million, in respect of the consummation of the sale transaction of ICC's building in Giv'ataim. The Bank's share in the said profit amounts to NIS 58 million.
B. Within the framework of the joint distribution agreement with El-Al Company, the latter was granted, *inter alia*, an option of the "Phantom" type, entitling El-Al to economic rights in ICC, as was detailed in the Directors report, the chapter on Principal investee companies, in the financial statements for 2022. The recording of the option, as mentioned, decreased the net earnings of ICC in the first quarter of 2023 by NIS 40 million.

On March 30, 2023, the General Meeting of Shareholders of ICC approved a dividend distribution in an amount of NIS 74 million. The Bank's share in the dividend amounted to NIS 21 million. The dividend was paid on March 31, 2023.

In accordance with the reports of ICC and with the Increase in Competition and Reduction in Centralization in the Banking Market in Israel (Legislation amendments) Act, 2017, the Banking Regulations (Licensing) (A bank having a wide scope of operations), 2023 (hereinafter – "the Regulations") were published on January 30, 2023.
According to the Regulations, Discount Bank Ltd. is obliged to sell the means of control it holds in ICC within a period of three years from date of publication of the Regulations or, under certain circumstances, by the end of four years, if it is decided on an outline of a public issue of shares. Furthermore, the provisions of the Increase in Competition and Reduction in Centralization in the Banking Market in Israel (Legislation amendments) Act, 2017, will apply to the sale.

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

REVIEW OF RISKS

This chapter was written in great detail in the financial statements for 2022. Therefore, it should be read together with the chapter of the risk review published in the annual reports for 2022. Additional information about the risks can be found on the report on risks and additional supervisory reporting in the Bank's internet website.

General

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

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

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

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

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

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

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

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

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

   The Strategic risk, is managed by Mrs. Shirli Shoham Klein, Head of the Digital, innovation, strategy and business developing department.

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

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

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

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

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

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

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

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

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

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

k. The Bank and the Group have diverse stress tests for the unique risks, as embedded in the various policy documents. The Bank applies stress tests for reviewing capital adequacy and the capital ratio according to the triennial capital planning. The stress tests combine the realization of a number of risk centers at the same time. The stress tests used by the Bank are based on sensitivity analysis, historical scenarios, hypothetical scenarios and macro-economic scenarios. The stress tests were updated during 2022, reflecting also the possible effects of the increase in inflation and reduced monetary policy, the effect of which are expressed in negative rate of growth and increasing rate of unemployment, while identifying and mapping the relevant risk centers.

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

For discussion of the risk appetite and risk management principles, see reference in the description of principal risks, presented in the financial statements for the year 2022.

CREDIT RISK

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

Within the framework of the implementation of the Basel Rules, the Group applies the standard approach in respect of exposure to credit risk. Pillar II of Basel challenges the capital allocation in accordance with Pillar I, and where required, a complementary capital allocation in respect of credit risks is being made.

During the April 2023, Bank of Israel continued to raise the interest in the economy, and it stands at a rate of 4.5%. According to the updated macroeconomic forecast of the research division of the Bank of Israel, the monitary interest rate is expected to reach the rate of 4.75% on average in the first quarter of 2024. In the last interest announcement, it was noted, that the pace of interest raises will be determined in accordance to the activity data and the development of inflation, in order to continue to support the achievement of the policy's targets.

The interest rise is expected to increase the financing expenses of household and business companies, which alongside the rise in the inflation, make the current expenses more expansive, which may aggravate the financial situation of borrowers, part of which, are customers of the Bank.

The Bank examines the effect of the rise in the interest rate and inflation in the years 2022-2023, on the different activity segments and in particular, the effect on the debts repayment ability of customers of the Bank. As of the date of publication of the financial statements, no material effect on the Bank was recorded. The Bank continues to follow these effects.

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

	March 31, 2023				March 31, 2022			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
								NIS million
Credit risk in credit granting rating[1]								
Balance sheet credit risk	**59,562**	**35,040**	**22,573**	**117,175**	50,416	32,782	22,123	105,321
Off-balance sheet credit risk	**24,618**	**2,161**	**13,503**	**40,282**	22,518	3,892	12,861	39,271
Total credit risk in credit granting rating	**84,180**	**37,201**	**36,076**	**157,457**	72,934	36,674	34,984	144,592
credit risk not in credit granting rating:								
Non problematic	**1,324**	**269**	**627**	**2,220**	1,499	342	621	2,462
Problematic[2]	**953**	**207**	**252**	**1,412**	1,066	192	245	1,503
Of which:								
Problematic accruing interest	**646**	**59**	**162**	**867**	697	46	138	881
Problematic not-accruing interest	**307**	**148**	**90**	**545**	369	146	107	622
Total balance sheet credit risk	**2,277**	**476**	**879**	**3,632**	2,565	534	866	3,965
Off-balance sheet credit risk	**661**	**6**	**78**	**745**	480	12	101	593
Total credit risk not in credit granting rating	**2,938**	**482**	**957**	**4,377**	3,045	546	967	4,558
Of which: accruing debts in arrears of 90 days or more	**8**	**-**	**14**	**22**	3	-	13	16
Total overall credit risk of the public	**87,118**	**37,683**	**37,033**	**161,834**	75,979	37,220	35,951	149,150
Non-performing assets								
Debts not accruing interest income	**307**	**148**	**90**	**545**	369	146	107	622

				December 31, 2022
	Commercial	Housing	Private	Total
				NIS million
Credit risk in credit granting rating(1)				
Balance sheet credit risk	56,823	34,967	22,651	114,441
Off-balance sheet credit risk	24,979	2,233	13,397	40,609
Total credit risk in credit granting rating	81,802	37,200	36,048	155,050
Credit risk not in credit granting rating:				
Non problematic	1,342	288	640	2,270
Problematic(2)	884	220	246	1,350
Of which:				
Problematic accruing interest	581	75	150	806
Problematic not-accruing interest	303	145	96	544
Total balance sheet credit risk	2,226	508	886	3,620
Off-balance sheet credit risk	722	1	78	801
Total credit risk not in credit granting rating	2,948	509	964	4,421
Of which: accruing debts in arrears of 90 days or more	8	-	13	21
Total overall credit risk of the public	84,750	37,709	37,012	159,471
Non-performing assets				
Debts not accruing interest income	303	145	96	544

(1) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit in accordance with the Bank's policy.
(2) Not accruing, inferior or special supervision credit risk.

Changes in debts not accruing interest income

	For the three months ended March 31, 2023			For the three months ended March 31, 2022			For the year ended December 31, 2022		
	Commercial	Private	Total	Commercial	Private	Total	Commercial	Private	Total
						NIS million			NIS million
Balance of non-accruing debts at beginning of year	**303**	**241**	**544**	338	103	441	338	103	441
Adjustment to opening balance due to effect of initial implementation(1)				6	146	152	6	146	152
Balance of non-accruing debts at beginning of year following initial implementation				344	249	593	344	249	593
Classified as non-accruing during the period	**90**	**58**	**148**	70	26	96	186	117	303
Removed from non-accruing classification	**(5)**	**(11)**	**(16)**	(3)	(5)	(8)	(12)	(55)	(67)
Accounting write-offs of non-accruing debts	**(5)**	**(7)**	**(12)**	(23)	(9)	(32)	(77)	(25)	(102)
Collection of non-accruing debts	**(76)**	**(43)**	**(119)**	(19)	(8)	(27)	(138)	(45)	(183)
Balance of non-accruing debts at end of period	**307**	**238**	**545**	369	253	622	303	241	544
Of which: movement in problematic restructured debts									
Balance of restructured debts at beginning of the year	**66**	**76**	**142**	67	69	132	67	69	136
Adjustment to opening balance due to effect of initial implementation(1)				-	19	19	-	19	19
Balance of restructured problematic debts at beginning of year following initial implementation				67	88	155	67	88	155
Restructure made during the period	**14**	**16**	**30**	9	14	23	49	53	102
Debts reversed into accruing classification following consequent restructure	**-**	**(2)**	**(2)**	(4)	(4)	(8)	(9)	(12)	(21)
Accounting write-offs of restructured debts	**(2)**	**(5)**	**(7)**	(2)	(5)	(7)	(12)	(15)	(27)
Collection of restructured debts	**(3)**	**(9)**	**(12)**	(6)	(7)	(13)	(29)	(38)	(67)
Balance of problematic restructured debts at end of period	**75**	**76**	**151**	64	86	150	66	76	142
Changes in provision for credit losses in respect of non-accruing debts									
Balance of provision for credit losses at the beginning of the year	**79**	**34**	**113**	129	33	162	129	33	162
Adjustment to opening balance due to effect of initial implementation(1)				(8)	-	(8)	(8)	-	(8)
Balance of provision following initial implementation				121	33	154	121	33	154
Increase in provisions	**23**	**9**	**32**	21	9	30	60	21	81
Collection and write-offs	**(17)**	**(9)**	**(26)**	(22)	(5)	(27)	(102)	(20)	(122)
Balance of provision for credit losses at the end of the period	**85**	**34**	**119**	120	37	157	79	34	113

(1) The effect of the initial implementation of the Reporting to the Public directives in respect of anticipated credit losses.

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

	For the three months ended March 31					For the year ended December 31
	2023				2022	2022
	Commercial	Housing	Private	Total	Total	Total
Analysis of quality of credit to the public						
Ratio of non-accruing credit to credit to the public	**0.50%**	**0.42%**	**0.38%**	**0.46%**	0.58%	0.46%
Ratio of non-accruing credit or in arrears of 90 days or more to credit to the public	**0.52%**	**0.42%**	**0.44%**	**0.47%**	0.59%	0.48%
Ratio of problematic credit to credit to the public	**1.56%**	**0.58%**	**1.07%**	**1.17%**	1.40%	1.15%
Ratio of credit not at credit execution rating to credit to the public	**3.74%**	**1.34%**	**3.75%**	**3.03%**	3.69%	3.09%
Analysis of expenses in respect of credit losses for the reporting period						
Ratio of expenses in respect of credit losses to the average balance of credit to the public*	**0.41%**	**-**	**0.20%**	**0.25%**	-	0.11%
Ratio of net accounting write-offs as to the average balance of credit to the public*	**(0.09%)**	**-**	**0.04%**	**(0.04%)**	(0.02%)	0.03%
Analysis of provision for credit losses in respect of credit to the public						
Ratio of provision for credit losses to credit to the public	**1.29%**	**0.41%**	**1.43%**	**1.06%**	1.01%	1.02%
Ratio of provision for credit losses to the balance of non-accruing credit to the public	**256.4%**	**98.0%**	**372.2%**	**232.5%**	174.9%	219.7%
Ratio of provision for credit losses to the balance of credit to the public, non-accruing or in arrears of 90 days or more	**249.8%**	**98.0%**	**322.1%**	**223.5%**	170.5%	211.5%
Ratio of provision for credit losses to net accounting write-offs*	**(14.1)**	**-**	**41.9**	**(26.4)**	(68.0)	41.2

* Annualized.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS
(NIS million)

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

NOTES:
(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, balance credit risk in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 123,436, 19,342, 45, 928 and 41,496 million, respectively.
(2) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
(3) Credit risk wherein the credit rating at the date of the report, congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
(4) Balance sheet and off-balance sheet credit risk that is non-accruing, inferior, or under special supervision.
(5) Including balance sheet credit risk amounting to NIS 138 million and non-utilized credit facilities amounting to NIS 10 million, in respect of housing loans extended to certain purchasing groups currently in the process of construction.

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	March 31, 2022						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: not accruing credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	10,706	10,230	304	100	(9)	8	167
Construction and Real estate - construction (5)	14,229	13,845	128	59	3	1	119
Construction and Real estate - real estate activities	7,228	6,904	112	108	2	-	59
Commerce	8,821	8,278	243	88	7	(5)	165
Financial services	18,547	18,434	5	5	(2)	(2)	12
Other business services	14,963	13,883	453	112	(14)	(2)	223
Total commercial	74,494	71,574	1,245	472	(13)	-	745
Private individuals - housing loans	37,220	36,674	192	146	1	(1)	127
Private individuals - others	35,951	34,984	258	109	10	(3)	343
Total public - activity in Israel	147,665	143,232	1,695	727	(2)	(4)	1,215
Banks in Israel and Israeli government	13,880	13,880	-	-	-	-	2
Total activity in Israel	161,545	157,112	1,695	727	(2)	(4)	1,217
In respect of borrowers abroad							
Total public - activity abroad	1,485	1,360	2	2	2	-	7
Banks and foreign governments abroad	5,023	5,023	-	-	-	-	-
Total activity abroad	6,508	6,383	2	2	2	-	7
Total	168,053	163,495	1,697	729	-	(4)	1,224

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 111,228, 13,959, 322, 2,332 and 40,212 million, respectively.

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

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

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

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

TOTAL CREDIT RISK ACCORDING TO ECONOMIC SECTORS

(NIS million)

	December 31, 2022						
					Credit losses (2)		
	Total credit risk(1)	Of which: Credit execution rating (3)	Of which: Problematic credit risk (4)	Of which: not accruing credit risk	Expenses (income) for credit losses	Net accounting write-offs	Provision for Credit losses
In respect of borrowers in Israel							
Public-Commercial:							
Industry	11,267	10,762	339	82	28	32	171
Construction and Real estate - construction (5)	17,020	16,462	137	77	49	(2)	174
Construction and Real estate - real estate activities	7,841	7,597	62	42	7	-	63
Commerce	9,842	9,413	241	87	22	(5)	183
Financial services	22,442	22,303	8	2	13	(9)	34
Other business services	15,776	14,716	235	70	(37)	7	188
Total commercial	84,188	81,253	1,022	360	82	23	813
Private individuals - housing loans	37,709	37,200	220	145	25	(1)	151
Private individuals - others	37,012	36,048	255	98	17	3	344
Total public - activity in Israel	158,909	154,501	1,497	603	124	25	1,308
Banks and Israeli government in Israel	12,782	12,782	-	-	-	-	2
Total activity in Israel	171,691	167,283	1,497	603	124	25	1,310
In respect of borrowers abroad							
Total public - activity abroad	562	549	-	-	(1)	4	4
Banks and foreign governments abroad	6,640	6,640	-	-	-	-	-
Total activity abroad	7,202	7,189	-	-	(1)	4	4
Total	178,893	174,472	1,497	603	123	29	1,314

NOTES:

(1) Balance sheet credit risk and off-balance sheet credit risk, including in respect of derivative instruments. Includes debts, bonds, securities borrowed, assets in respect of derivative instruments and credit risk in off balance sheet instruments as were calculated in respect of limitations of a borrower of NIS 120,834, 15,565, 12, 747 and 41,735 million, respectively.

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

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

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

(5) Including balance sheet credit risk amounting to NIS 135 million and off-balance sheet credit risk amounting to NIS 10 million, in respect of loans extended to certain purchasing groups currently in the process of construction.

Counter-party credit risk management

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

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

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

External credit rating(5)	As of March 31, 2023			As of December 31, 2022		
	Balance-sheet credit risk(2)	Current Off-balance-sheet credit risk(3)	Aggregate credit risk	Balance-sheet credit risk(2)	Current Off-balance-sheet credit risk(3)	Aggregate credit risk
			NIS million			NIS million
AAA to AA-	**216**	**2**	**218**	321	2	323
A+ to A-	**2,531**	**36**	**2,567**	2,483	35	2,518
BBB+ to BBB-	**58**	**-**	**58**	128	2	130
BB- to B-	**-**	**1**	**1**	-	1	1
Unrated	**31**	**-**	**31**	13	-	13
Total credit exposure to foreign financial institutions	**2,836**	**39**	**2,875**	2,945	40	2,985
Of which: Balance of problem loans (4)	**-**	**-**	**-**	-	-	-

Of which: credit exposure to financial institutions in the USA

External credit rating(5)	As of March 31, 2023		
	Balance-sheet credit risk(2)	Current off-balance-sheet credit risk(3)	Aggregate credit risk
			NIS million
AAA to AA-	**52**	**-**	**52**
A+ to A-	**881**	**2**	**883**
Unrated	**31**	**-**	**31**
Total credit exposure to financial institutions in the USA	**964**	**2**	**966**

Total exposure to finanial institution in the USA includes deposits amounting to NIS 848 million, bonds amounting to NIS 105 million and present value of derivative financial instruments amounting to NIS 11 million. 90% of the exposure is to the largest financial institution in the USA.

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

GENERAL NOTES:
a. Credit positions and problematic loans balances are presented after deduction of the provision for credit losses.
b. For further information regarding the composition of credit positions in respect of derivative instruments against banks and (local and foreign) dealers/brokers, see Note 10 to the financial statements. Off-balance-sheet credit risk in respect of transactions in derivative financial instruments which were conducted with foreign financial institutions as calculated for the purpose of borrower indebtedness restrictions totaled NIS 406 million on March 31, 2023 (December 31, 2022 - NIS 244 million).

Most of the exposure is to foreign financial institutions with high financial resilience, which most of them are included in investment grade A- and above. During the first three months of the year no material change has occurred in the credit exposure of the Bank to these financial institutions, although some banks in the USA and Europe experienced liquidity difficulties. Furthermore, these financial institutions did not lose their external grading, which against them the Bank has most of its exposures.

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

Most of the Group's present credit exposure (97%) is attributed to leading financial institutions in OECD countries, which are graded AAA to A-, and 8% of the total exposure is rated in the range between AAA to AA-.

The Group's balance-sheet credit exposure to foreign financial institutions includes an NIS 355 million investment in foreign currency bonds.
The bonds portfolio, included in the foreign financial institutions exposure, is deversified and all these bonds are investment grade bonds, of which 85% are rated A- or higher.
The average duration of the portfolio is 2 years.
In addition, balance-sheet credit risk includes NIS 2.4 billion of deposits placed with foreign banks, mainly for a short period of a day to a week.

As of March 31, 2023 there is no country which the credit exposure of the Bank group to financial institutions exceeding 15% of the Bank's equity capital, which amounted to NIS 2,192 million (as defined in Proper Conduct of Banking Business Regulation No. 202 concerning capital component).

EXPOSURE TO FOREIGN COUNTRIES

Balance-sheet exposure to foreign countries consists of deposits, bonds, credit to the public and the fair value of financial instruments.
Off-balance-sheet exposure consists of guarantees, off-balance-sheet credit risk with respect to financial derivatives and unutilized facilities.

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

	March 31, 2023			December 31, 2022		
	exposure			exposure		
	Balance sheet (2)	Off Balance sheet(2)(3)	Total	Balance sheet (2)	Off Balance sheet(2)(3)	Total
United States	**7,805**	**36**	**7,841**	4,654	40	4,694
Other	**3,820**	**604**	**4,424**	3,926	443	4,369
Total exposure to foreign countries	**11,625**	**640**	**12,265**	8,580	483	9,063
Off which: Total exposure to PIGS countries (Portugal, Italy, Greece and Spain)	**52**	**2**	**54**	31	2	33
Off which: Total exposure to LDC countries	**141**	**42**	**183**	146	41	187
Off which: Total exposure to countries with liquidity problems	(4)**17**	**1**	**18**	(4)16	1	17

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

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

RISKS IN THE HOUSING LOANS PORTFOLIO

Credit policy at the Bank Group regarding mortgages

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

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

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

The Bank performs monthly control on the development of risk characteristic of the mortgage portfolio, in accordance with restrictions according to parameters of the credit policy. In addition, the Bank monitors changes in the volume of problematic debts in the mortgage portfolio, as well as the rate of arrears thereof, comparing the data with that of the whole banking sector. Furthermore, the Bank continues to follow the possible implications on its mortgage portfolio, due to the recent developments in the macro-economic environment.

Volume of housing loans

	For the three months ended March 31		
	2023	**2022**	**Change**
		NIS million	%
Housing loans extensions			
Loans from bank funds	**945**	2,211	(57.3)
Loans from treasury funds	**3**	6	(50.0)
Grants from treasury funds	**2**	5	(60.0)
Total new loans	**950**	2,222	(57.2)
Refinanced loans from bank funds	**54**	239	(77.4)
Total **extensions**	**1,004**	2,461	(59.2)

	As at March 31,		
	2023	**2022**	**Change**
		NIS million	%
Balance of housing loans, net			
Loans from bank funds	**35,508**	33,305	6.6
Loans from treasury funds*	**236**	255	(7.5)
Grants from treasury funds*	**76**	64	18.8
Total balance of housing loans	**35,820**	33,624	6.5

* 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 on March 31, 2023 included 68% of credit granted at an LTV of up to 60% compared with 69% on March 31, 2022.
98% of total loans were granted at an LTV of up to 75%, Similar to March 31, 2022.

Housing loan extensions from the Bank's sources in the first three months of 2023 included 64% of credit granted at an LTV of up to 60%, compared with 63% in the same period last year. All loan extensions were granted at an LTV of up to 75%, similar to the same period last year.
The calculation of the LTV does not include loans which are not secured by an asset.

Debt-income ratio

Another key parameter used by the Bank in examining the risk in the housing loan portfolio is the debt-income ratio. This ratio enables the Bank to assess a borrower's ability to maintain current loan repayments in an orderly manner from the borrower's regular income at the date of the extension of the loan.
The portfolio of housing loans extended from the Bank's sources as of March 31, 2023 included 89% of credit granted at a debt-income ratio of up to 35% compared with 90% on March 31, 2022. 99% of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50%, similar to the same period last year.
Housing loan extensions from the Bank's sources in the first three months of 2023 included 83% of credit granted at a debt-income ratio of up to 35% compared to 90% in the same period last year. All of the credit was extended to borrowers on the basis of a debt-income ratio of up to 50% similar to the same period last year.
The calculation of the ratio does not include loans which are bullet and balloon.

Floating-rate loans

The portfolio of housing loans from the Bank's sources as of March 31, 2023 includes 60% of credit that was granted at floating-rate interest and amounts to NIS 21,337 million.
Housing loan extensions from the Bank's sources in the first three months of 2023 include NIS 470 million of credit granted at floating-rate interest of up to five years constituting 50% of extentions. An amount of NIS 79 million is floating-rate credit for five years, constituting 8% of extentions .

Long-term loans

The portfolio of housing loans from the Bank's sources as of March 31, 2023 includes 74% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 26,312 million.
Housing loan extensions from the Bank's sources in the first three months of 2023 include 46% of credit whose redemption period as of the report date is up to 25 years and amounts to NIS 431 million.

Set out below are data on the development of the housing loan portfolio at the Bank alone by linkage segments (excluding credit from Treasury funds and after deduction of the provision for credit losses)

	For residential purposes											Secured by a residential apartment	Total
	Unlinked segment				CPI-linked segment				Foreign-currency linked segment		Total		
	Fixed-rate		Floating rate		Fixed-rate		Floating rate		Floating rate				
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Balance	Balance
	NIS million	%	NIS million	%	NIS million	%	NIS million	%	NIS million	%	NIS million	NIS million	NIS million
31.3.23	**10,139**	**29.3**	**15,107**	**43.7**	**3,797**	**11.0**	**5,540**	**16.0**	**6**	**-**	**34,589**	**919**	**35,508**
31.12.22	10,134	29.3	15,226	44.1	3,726	10.8	5,466	15.8	6	-	34,558	906	35,464

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

	Three months 2023	Three months 2022	2022	2021	2020	2019
Total housing loan extensions (NIS million)	**945**	2,211	7,124	8,005	5,915	4,374
Rate of change in housing loan extensions compared with previous year	**(57.3%)**	32.5%	(11.0%)	35.3%	35.2%	5.4%
Rate of expense (income) on credit losses relative to mortgages at the Bank's risk	**(0.01%)**	0.01%	0.08%	(0.02%)	0.14%	0.01%
Cumulative rate of provision for credit losses relative to mortgages at the Bank's risk	**0.43%**	0.38%	0.43%	0.50%	0.59%	0.49%

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

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

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

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. Winning the tender provides the Bank with business opportunities for extending its operations among the tender's population and for increasing its share of additional populations.

84% 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.

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

				Change	
	March 31 2023	**March 31 2022**	**December 31 2022**	**March 31 2022**	**December 31 2022**
			NIS million		%
Current account and utilized balances of credit cards	**5,812**	5,402	5,747	7.6	1.1
Other loans	**17,639**	17,589	17,786	0.3	(0.8)
Total balance credit risk	**23,451**	22,991	23,533	2.0	(0.3)
Unutilized current account credit lines	**4,960**	4,723	4,791	5.0	3.5
Unutilized credit lines in credit cards	**7,942**	7,543	7,954	5.3	(0.2)
Other off-balance credit risks	**660**	675	710	(2.2)	(7.0)
Total off-balance credit risk	**13,562**	12,941	13,455	4.8	0.8
Total credit risk	**37,013**	35,932	36,988	3.0	0.1
Average volume of credit, including overdrafts, credit cards and loans	**22,406**	21,837	22,297	2.6	0.5

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

				Change	
	March 31 2023	**March 31 2022**	**December 31 2022**	**March 31 2022**	**December 31 2022**
			NIS million		%
Non-accruing credit risks	**91**	109	98	(16.5)	(7.1)
Accruing problematic credit risk	**168**	149	157	12.8	7.0
Non-problematic credit risk	**36,754**	35,674	36,733	3.0	0.1
Total credit risk	**37,013**	35,932	36,988	3.0	0.1
Of which: accruing debts in arrears of 90 days or more	**14**	13	13	7.7	7.7
Balance of restructured debts out of the problematic credit	**83**	78	76	6.4	9.2
Expense rate of credit losses out of total credit to the public*	**0.19%**	0.17%	0.07%		

* Annualized.

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

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

				March 31, 2022
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	304	37	341	200
Up to 10	3,422	497	3,919	2,141
From 10 to 20	4,858	1,506	6,364	3,500
Over 20	6,560	5,807	12,367	7,100
Total	15,144	7,847	22,991	12,941

				December 31, 2022
Fixed income credited to the account*	**Total financial assets** lower than NIS 50 K**	**Total financial assets** higher than NIS 50 K**	**Balance sheet Credit risk**	**Off-balance sheet credit risk**
NIS thousands				NIS million
No fixed income	334	89	423	242
Up to 10	3,282	424	3,706	2,097
From 10 to 20	4,963	1,411	6,374	3,503
Over 20	7,390	5,640	13,030	7,613
Total	15,969	7,564	23,533	13,455

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

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

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

			Balance sheet credit risk
	March 31, 2023	**March 31, 2022**	**December 31, 2022**
Period to redemption			NIS million
Up to one year	**6,248**	5,939	6,304
From one to three years	**3,171**	3,235	3,204
From three to five years	**4,845**	4,807	4,935
From five to seven years	**2,757**	2,937	2,817
Over seven years	**6,430**	6,073	6,273
Total	**23,451**	22,991	23,533

Distribution by size of credit to the borrower*

	March 31, 2023			March 31, 2022			December 31, 2022		
Credit range to the borrower	**Balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**
NIS thousands			NIS million			NIS million			NIS million
Up to 10	**216**	**450**	**666**	209	449	658	211	454	665
From 10 to 20	**437**	**878**	**1,315**	418	853	1,271	429	876	1,305
From 20 to 40	**1,166**	**2,069**	**3,235**	1,168	2,002	3,170	1,157	2,060	3,217
From 40 to 80	**2,923**	**3,553**	**6,476**	2,899	3,370	6,269	2,911	3,505	6,416
From 80 to 150	**5,657**	**3,449**	**9,106**	5,759	3,262	9,021	5,747	3,402	9,149
From 150 to 300	**7,153**	**2,265**	**9,418**	6,992	2,192	9,184	7,194	2,261	9,455
Over 300	**5,899**	**898**	**6,797**	5,546	813	6,359	5,884	897	6,781
Total	**23,451**	**13,562**	**37,013**	22,991	12,941	35,932	23,533	13,455	36,988

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

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

	March 31, 2023	March 31, 2022	December 31, 2022
	Balance sheet credit risk	**Balance sheet credit risk**	**Balance sheet credit risk**
Type of credit	NIS million	NIS million	NIS million
Current account	**1,494**	1,519	1,639
Credit card	**4,318**	3,883	4,108
Credit carrying variable interest	**16,910**	16,957	17,082
Credit carrying fixed interest	**729**	632	704
Total	**23,451**	22,991	23,533

Collateral

	March 31, 2023			March 31, 2022			December 31, 2022		
	Balance sheet credit risk	**Off-balance sheet credit risk**	**Total credit risk**	**Balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**
			NIS million			NIS million			NIS million
Total credit secured by collateral*	**4,634**	**441**	**5,075**	4,620	407	5,027	4,628	432	5,060
* Of which:									
Non-liquid collateral	**4,231**	**413**	**4,644**	4,196	380	4,576	4,214	402	4,616
Liquid collateral	**403**	**28**	**431**	424	27	451	414	30	444

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 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.

In the second line of defense, a periodic test is carried, on the effect of macroeconomic events which may impact the debt-income ratio of customers. The test is performed both on mortgages and the credit portfolio, excluding housing loans. In addition, a wide spectrum analysis is performed in respect of different risks, such as distribution of the portfolio according to the customer's risk rating, default rates and other different risk indices, such as, rate of problematic credit, rate of expenses of credit losses and rates of accounting write-offs.

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

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

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

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 and examines the condition of the projects as well as the level of risk inherent in each, and reduces exposure accordingly. As a general rule, examination of the projects is performed on a monthly basis, based on construction progress reports by the supervisor of the project, where the examined risks are both at the level of market risk and at the level of execution risk.

The Bank strictly prices each transaction in accordance with the risk involved and with the required allocation of capital, using tools for the calculation of the return.

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

In the last few months, decline in the demand for acquisition of residential appartements was recorded, this, among other things, on the background of the rise in inflation and the interest rate. The Bank is monitoring, on a current basis, these trends. The proportional policy of the Bank, resulted in no material impact on the quality of the credit portfolio, being recorded.

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

		March 31,	December 31,
	2023	2022	2022
			NIS million
Overall credit risk(1)			
Projects not yet completed			
Of which: Open land	**7,648**	4,789	7,591
Property under construction	**5,617**	4,983	5,366
Completed building projects	**6,109**	5,188	5,958
Other(2)	**5,754**	6,497	5,946
Total	**25,128**	21,457	24,861

(1) Of which: credit secured by residential property in the amount of NIS 12,063 million (stated credit NIS 8,524 million and off-balance sheet credit NIS 3,539 million). Credit secured by industrial property in the amount of NIS 1,090 million (stated credit NIS 992 million and off-balance sheet credit NIS 98 million), and credit secured by commercial property in the amount of 6,221 million (stated credit NIS 5,543 million and off-balance sheet credit NIS 678 million). (31.12.22 - NIS 11,428 million, NIS 1,075 million and NIS 6,412 million, respectively).

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

The ratio of credit not at credit execution rating, to total credit risk in the construction and real estate sector as of March 31, 2023, amounted to 2.7%, as compared with 3.2% at December 31, 2022.

The ratio of problematic credit to total credit risk in the construction and real estate sector as of March 31, 2023, amounted to 0.9%, compared to 0.8% as of December 31, 2022.

LEVERAGED FINANCE

Leveraged finance is defined as credit granted for financing capital transaction in corporation (as defined in the Bank of Israel directive 323) that meets certain criteria, and credit granted to debtors characterized with high finance leverage.
The criteria according to which the Bank defines credit as leveraged finance were set in a conservative manner.
Additional information can be found in the financial statements for 2022.
As of March 31, 2023 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 446 million, compared to NIS 508 million on March 31, 2022 and NIS 547 million at the end of 2022.

SIGNIFICANT EXPOSURES TO BORROWER GROUPS

As of March 31, 2023, there is no borrower group which its indebtness on consolidated basis, after deductions of permissible deduction according to section 5 of Directive 313, exceeds 15% of the bank's capital, calculated according to Proper Conduct of Banking Business Directive concerning measurement and capital adequacy.

MARKET RISK

Market risk (financial risk) is the actual or future existence of a risk of loss or impairment stemming from a change in the economic value of a financial instrument, a certain credit portfolio or a group of portfolios, and on a general level, due to changes in prices, currency exchange rates, margins and other parameters in the markets, including: interest risk, currency risk, inflation risk, share prices risk and volatility risk.
The inflation environment globally continues to be high, but is at moderating trend. The forecast for 2023 is, that the high inflation environment will be restrained, thus, the commissioners of the central banks in the world, will moderate the interest increases significantly.
The Bank is adopting variety of actions, in order to cope with the effects of the changes in inflation and interest rates on its customers, including performing stress tests and current tests examining the repayment ability of the customers, according to the different segments of activity, while providing specific care in accordance with the findings.
Furthermore, the Bank implements additional actions, in order to cope with the effects of these changes, including updating assumptions to the different models in the areas of credit and market risks, increasing the exposure to the variable interest segment, performing transactions to manage the exposure in the CPI segment and adjustment of the rate of collateral required in the capital market operations.
The Bank continues to monitor the different developments in the macro-economic situation.

Methodology for the estimation of exposure to market risk

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

INTEREST EXPOSURE

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

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

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

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

	March 31, 2023			March 31, 2022			December 31, 2022		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total	NIS	Foreign currency	Total
			NIS million			NIS million			NIS million
Adjusted fair value, net (1)	**9,883**	**216**	**10,099**	7,740	(41)	7,699	9,062	152	9,214
Of which: banking portfolio	**9,429**	**147**	**9,576**	7,558	(159)	7,399	8,956	26	8,982

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

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

	March 31, 2023			March 31, 2022			December 31, 2022		
	NIS	Foreign currency	Total	NIS (4)	Foreign currency (4)	Total	NIS	Foreign currency	Total
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**37**	**1**	**38**	(4)	3	(1)	76	13	89
Of which: banking portfolio	**36**	**-**	**36**	(6)	14	8	72	9	81
Parallel decrease of 1%	**(22)**	**4**	**(18)**	69	(3)	66	(57)	(8)	(65)
Of which: banking portfolio	**(20)**	**-**	**(20)**	68	(12)	56	(55)	(4)	(59)
Non-parallel changes									
Steeping(2)	**(221)**	**27**	**(194)**	(175)	22	(153)	(188)	24	(164)
Flattening(3)	**245**	**(24)**	**221**	187	(22)	165	222	(18)	204
Interest increases in short term	**234**	**(22)**	**212**	157	(16)	141	226	(12)	214
Interest decreases in short term	**(226)**	**29**	**(197)**	(122)	20	(102)	(217)	18	(199)

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

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

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

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

(4) In interest decline scenarios in the CPI linked and foreign currency segments, negative interest environment is taken in the calculation.

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

	March 31, 2023			March 31, 2022			December 31, 2022		
	Interest income	Non-interest income	Total*	Interest income	Non-interest income	Total*	Interest income	Non-interest income	Total*
			NIS million			NIS million			NIS million
Parallel changes									
Parallel increase of 1%	**99**	**(1)**	**98**	533	(1)	532	200	2	202
Of which: banking portfolio	**99**	**-**	**99**	532	-	532	199	-	199
Parallel decrease of 1%	**(463)**	**1**	**(462)**	(641)	2	(639)	(575)	(2)	(577)
Of which: banking portfolio	**(463)**	**-**	**(463)**	(640)	-	(640)	(575)	-	(575)

* After offsetting effects.

The income sensitivity in the table above, was calculated based on several parameters and different assumptions, among others, the use of assumptions in respect of changes in the deposits spreads, the transfer of funds from current accounts to deposits in case of interest raise, as against stability in the balances, in case of an interest decline and assuming interest floors, thus the different interest curves can decline to zero (and not below). During 2022, on the background of the changes in the interest environment, adjustments were made to the assumptions in the base of the calculation.

BASIS EXPOSURE

Actual basis exposure

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

	Actual basis exposure		% of capital	
	As of March 31,	As of December 31,	As of March 31,	As of December 31,
	2023	2022	2023	2022
Non-linked local currency	2,729	3,432	**24**	31
CPI-linked local currency	5,999	4,999	**53**	45
Foreign currency and f-c linked	(22)	(79)	**-**	(1)

Sensitivity of capital to changes in the exchange rate

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

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

Set out below is the sensitivity of the Bank's capital to theoretical changes in the exchange rates of the principal currencies as of March 31, 2023 (NIS millions).

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

Percentage change in exchange rate	Dollar	Euro
5% decrease	**(2)**	**3**
10% decrease	**(3)**	**8**
5% increase	**9**	**(1)**
10% increase	**28**	**(1)**

NOTES:

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

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

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

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

Sensitivity of capital to changes in the CPI

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

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

Set out below is the sensitivity of the Bank's capital to theoretical changes in the CPI as of March 31, 2023 (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	**(122)**
3% increase	**124**

MANAGEMENT OF RISKS IN DERIVATIVE FINANCIAL INSTRUMENTS

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

	As of March 31, 2023			As of December 31, 2022		
	Derivatives not for trading	Derivatives for trading	Total	Derivatives not for trading	Derivatives for trading	Total
Hedging transactions:						
Interest rate contracts	**3,209**	**-**	**3,209**	3,522	-	3,522
Other transactions:						
Interest rate contracts	**344**	**16,554**	**16,898**	794	17,425	18,219
Foreign currency contracts	**29,203**	**61,700**	**90,903**	18,404	48,494	66,898
Contracts on shares, share indexes, commodities and other contracts	**1**	**61,805**	**61,806**	85	55,189	55,274
Total derivative financial instruments	**32,757**	**140,059**	**172,816**	22,805	121,108	143,913

LIQUIDITY RISK

Liquidity risk is the risk that the Bank will have difficulty in honoring its liabilities due to unexpected withdrawals of deposits from the public, uncertainty regarding the availability of sources and other unexpected liabilities, including sharp decline in the value of liquid assets available to the Bank. Materialization of the risk might cause the Bank shortage in liquid means, that will force the Bank to realize assets in prices lower than the market prices and/or raise funds in a price higher than market prices and in extreme situations might endanger the stability of the Bank.
On the background of the changes in the macro economic environment, the Bank continues to perform close supervision and control and monitoring activities in respect of liquidity ratios.

Liquidity coverage ratio

The liquidity coverage ratio of the Group for the three months ended March 31, 2023 amounted to 131%, compared with 127% in the three months ended December 31, 2022.
The minimal liquidity coverage ratio required by the Supervisor of Banks is 100%.
For additional information in respect of the liquidity coverage ratio see Note 8 to the condensed financial statements.

Net stable Funding Ratio - NSFR

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

Set out below is the net stable financing ratio:

	March 31	December 31
	2023	**2022**
		percent
Net stable financing ratio (consolidated)	**133%**	133%
Minimal net stable financing ratio required by the Supervisor of Banks	**100%**	100%

Liquidity position and the composition of assets and liabilities

The liquidity assets at the group, which includes cash, deposits at the Bank of Israel, deposits at banks and liquid securities, amounted to NIS 76.9 billion on March 31, 2023, compared with NIS 72.5 billion at the end of 2022. Of this amount, the balance of cash, deposits with the Bank of Israel and deposits with banks amounted to NIS 57.8 billion, and NIS 19.1 billion were invested in securities, principally Israel government bonds.
The ratio of deposits from the public to credit to the public on March 31, 2023 amounted to 146.3% compared with 145.1% on December 31, 2022.
At March 31, 2023, deposits from the public, bonds and subordinated notes totaled NIS 178.2 billion compared with NIS 173.0 billion at the end of 2022.

The composition of the assets and liabilities of the Bank shows high liquidity. This, as a result of the policy to raise deversified and stable funds, while emphsizing on raising sources for medium and long periods from deversified customers sectors and in different currencies.
The Bank has sources in a short-medium contructual duration, which the Bank anticipates that they will be held for a long time.The uses are both for short term and medium- long term.

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

	As of March 31, 2023	As of December 31, 2022
		NIS million
1	**5,723**	5,319
2	**3,632**	4,021
3	**3,592**	3,706

OTHER RISKS

For information regarding other risks and the way they are managed, among others, the operational risks (including business continuity, data security and cyber events), strategy risk, compliance risk (including conduct risk), anti money laundering and terror finance risk (including cross border risks), finance risk, environment and climate risks, legal risk, reputation risk, regulatory risk and model risk- see the chapter on risk review in the annual financial statements of the Bank for 2022 and the risk report for 2022 on the Bank's website.

DISCUSSION OF RISK FACTORS

For discussion of risk factors see the chapter of risk review in the annual financial statements of the Bank for 2022.
No change occurred in the table of risk factors during the first three months of 2023 compared with the table published in the annual financial statements for 2022, except for:

- Share risk - in the first quarter of the year the level of the risk was reduced from "low-medium" to "low", on the background of the continuation of the decline in the exposure in this channel.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES, CONTROLS AND PROCEDURES

The estimates and assessments regarding critical accounting policy matters were made in accordance with the best knowledge and judgment of the professional entities engaged in their preparation, and that they were applied in an appropriate manner in the financial statements of the Bank.
A review of the significant areas, to which, in the opinion of the Bank Management, critical accounting policies apply, are detailed in the Directors and Management report for 2022, with no changes therein, except as stated hereunder.

CONTROLS AND PROCEDURES

ASSESSMENT OF CONTROLS AND PROCEDURES CONCERNING DISCLOSURE IN THE FINANCIAL REPORT

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

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

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

The Management of the Bank, in cooperation with the CEO of the Bank and the Chief Accountant, assessed for March 31, 2023 the effectiveness of the controls and procedures in the matter of disclosure by the Bank. On the basis of this assessment, the CEO of the Bank and the Chief Accountant concluded that as at the end of this report period, the controls and procedures in the matter of disclosure by the Bank were effective for the purpose of recording, processing, summarizing and reporting the information which the Bank is required to disclose in the report in accordance with the Supervisor of Banks' directives for reporting to the public, and at the time determined in those directives.

During the quarter ending on March 31, 2023, no change occurred in the Bank's internal control over financial reporting which exerted a material effect, or which can reasonably be expected to exert a material effect on the Bank's internal control over financial reporting.

Ron Levkovich	**Smadar Barber-Tsadik**	**Nachman Nitzan**
Chairman of the Board	Chief Executive Officer	Executive Vice President, Chief Accountant

Tel Aviv, May 17, 2023

CERTIFICATION

I, Smadar Barber-Tsadik, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: “the Bank”) for the quarter ended March 31, 2023 (hereinafter: “the Report”).
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included on the Report correctly reflect the financial condition (including the comprehensive income), results of operations, changes in shareholders' equity, and cash flows of the Bank, in all material aspects, for the dates and periods covered in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control of financial reporting as defined in the public reporting directives concerning the "board of Directors' report". furthermore:
   A. We have established such controls and procedures or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
   B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks.
   C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure, as at the end of the period covered in the Report, based on our assessment; and
   D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during the fourth quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditor, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control of financial reporting;
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control of financial reporting that can reasonably be expected to impair the Bank's ability to record, process, summarize, or report financial information; and
   B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have significant role in the internal control of financial reporting at the Bank.

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

Tel-Aviv, May 17, 2023

Smadar Barber-Tsadik
Chief Executive Officer

CERTIFICATION

I, Nachman Nitzan, declare that:

1. I have reviewed the quarterly report of the First International Bank of Israel Ltd. (hereinafter: “the Bank”) for the quarter ended March 31, 2023 (hereinafter: “the Report”).
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included on the Report correctly reflect the financial condition (including the comprehensive income), results of operations, changes in shareholders' equity, and cash flows of the Bank, in all material aspects, for the dates and periods covered in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control of financial reporting as defined in the public reporting directives concerning the "board of Directors' report". furthermore:
   A. We have established such controls and procedures or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report.
   B. We have established such internal controls of financial reporting or caused such internal control of financial reporting to be established under our supervision, intended to provide a reasonable degree of confidence with regard to the reliability of the financial reporting, and that the financial reports for external purposes are prepared in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks.
   C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure, as at the end of the period covered in the Report, based on our assessment; and
   D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during the fourth quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditor, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control of financial reporting;
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control of financial reporting that can reasonably be expected to impair the Bank's ability to record, process, summarize, or report financial information; and
   B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have significant role in the internal control of financial reporting at the Bank.

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

Tel-Aviv, May 17, 2023

Nachman Nitzan
Executive Vice President,
Chief Accountant

FINANCIAL STATMENTS

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

Introduction

We have reviewed the accompanying financial information of The First International Bank of Israel Ltd. and its subsidiaries (hereinafter- "the Bank"), comprising of the condensed consolidated interim balance sheet as of March 31, 2023 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three months periods then ended. The Board of directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim accounting and in accordance with the directives and guidelines of the Supervisor of Banks. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

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

Somekh Chaikin
Certified Public Accountants (Isr.)

May 17, 2023

CONSOLIDATED STATEMENT OF INCOME

(NIS million)

	NOTE	For the three months ended March 31 2023	For the three months ended March 31 2022	For the year Ended December 31 2022
		(unaudited)	(unaudited)	(audited)
Interest Income	2	**2,176**	871	5,161
Interest Expenses	2	**901**	127	1,358
Interest Income, net		**1,275**	744	3,803
Expenses from credit losses	6,12	**72**	-	123
Net Interest Income after expenses from credit losses		**1,203**	744	3,680
Non- Interest Income				
Non-Interest Financing income	3	**36**	34	113
Fees		**388**	384	1,489
Other income		**1**	8	9
Total non- Interest income		**425**	426	1,611
Operating and other expenses				
Salaries and related expenses		**449**	414	1,680
Maintenance and depreciation of premises and equipment		**84**	81	332
Amortizations and impairment of intangible assets		**30**	27	113
Other expenses		**161**	162	630
Total operating and other expenses		**724**	684	2,755
Profit before taxes		**904**	486	2,536
Provision for taxes on profit		**315**	169	884
Profit after taxes		**589**	317	1,652
The bank's share in profit of equity-basis investee, after taxes		**65**	17	74
Net profit:				
Before attribution to non-controlling interests		**654**	334	1,726
Attributed to non-controlling interests		**(23)**	(12)	(59)
Attributed to shareholders of the Bank		**631**	322	1,667
				NIS
Primary profit per share attributed to the shareholders of the Bank				
Net profit per share of NIS 0.05 par value		**6.29**	3.21	16.62

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

Ron Levkovich
Chairman of the Board

Smadar Barber-Tsadik
Chief Executive Officer

Nachman Nitzan
Executive Vice President,
Chief Accountant

Tel-Aviv, May 17, 2023

STATEMENT OF COMPREHENSIVE INCOME[(1)]

(NIS million)

	For the three months ended March 31		For the year Ended December 31
	2023	**2022**	**2022**
	(unaudited)	(unaudited)	(audited)
Net profit before attribution to non-controlling interests	**654**	334	1,726
Net profit attributed to non-controlling interests	**(23)**	(12)	(59)
Net profit attributed to the shareholders of the Bank	**631**	322	1,667
Other comprehensive income (loss) before taxes:			
Adjustments of available for sale bonds to fair value, net	**(30)**	(216)	(441)
Adjustments of liabilities in respect of employee benefits[(2)]	**(3)**	131	235
Other comprehensive loss before taxes	**(33)**	(85)	(206)
Related tax effect	**11**	30	71
Other comprehensive loss before attribution to non-controlling interests, after taxes	**(22)**	(55)	(135)
Less other comprehensive income (loss) attributed to non-controlling interests	**2**	(5)	(13)
Other comprehensive loss attributed to the shareholders of the Bank, after taxes	**(24)**	(50)	(122)
Comprehensive income before attribution to non-controlling interests	**632**	279	1,591
Comprehensive income attributed to non-controlling interests	**(25)**	(7)	(46)
Comprehensive income attributed to the shareholders of the Bank	**607**	272	1,545

(1) See note 4.

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

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

CONSOLIDATED BALANCE SHEET
(NIS million)

		March 31,		December 31,
		2023	2022	2022
	NOTE	(unaudited)	(unaudited)	(audited)
Assets				
Cash and deposits with banks		**57,763**	53,979	57,130
Securities[(4)]	5	**19,756**	14,850	16,010
Securities which were borrowed		**45**	322	12
Credit to the public	6,12	**119,769**	107,342	117,156
Provision for Credit losses	6,12	**(1,267)**	(1,088)	(1,195)
Credit to the public, net		**118,502**	106,254	115,961
Credit to the government		**935**	843	866
Investment in investee company		**730**	740	687
Premises and equipment		**899**	912	902
Intangible assets		**307**	297	317
Assets in respect of derivative instruments	10	**4,047**	2,332	2,825
Other assets[(2)]		**1,328**	1,484	1,245
Total assets		**204,312**	182,013	195,955
Liabilities and Shareholders' Equity				
Deposits from the public	7	**173,390**	154,038	168,269
Deposits from banks		**5,481**	6,504	4,821
Deposits from the Government		**828**	476	237
Bonds and subordinated capital notes		**4,770**	3,675	4,749
Liabilities in respect of derivative instruments	10	**3,572**	2,360	2,322
Other liabilities[(1)(3)]		**4,882**	4,672	4,522
Total liabilities		**192,923**	171,725	184,920
Capital attributed to the shareholders of the Bank		**10,888**	9,851	10,559
Non-controlling interests		**501**	437	476
Total equity		**11,389**	10,288	11,035
Total liabilities and shareholders' equity		**204,312**	182,013	195,955

(1) Of which: provision for credit losses in respect of off-balance sheet credit instruments in the amount of NIS 129 million and NIS 134 million and NIS 117 million at 31.3.23, 31.3.22 and 31.12.22, respectively.
(2) Of which: other assets measured at fair value in the amount of NIS 15 million and NIS 261 million and NIS 26 million at 31.3.23, 31.3.22 and 31.12.22, respectively.
(3) Of which: other liabilities measured at fair value in the amount of NIS 21 million and NIS 435 million and NIS 26 million at 31.3.23, 31.3.22 and 31.12.22, respectively.
(4) Regarding amounts measured at fair value, see note 14B.

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

STATEMENT OF CHANGES IN EQUITY

(NIS million)

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

	For the three months ended March 31, 2022 (unaudited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of December 31, 2021 (audited)	927	(181)	9,257	10,003	434	10,437
Adjustment of the opening balance, net of tax, due to the effect of initial implementation*	-	-	(44)	(44)	(4)	(48)
Adjusted balance at January 1, 2022, following initial implementation	927	(181)	9,213	9,959	430	10,389
Net profit for the period	-	-	322	322	12	334
Dividend	-	-	(380)	(380)	-	(380)
Other comprehensive loss, after tax effect	-	(50)	-	(50)	(5)	(55)
Balance as at March 31, 2022	927	(231)	9,155	9,851	437	10,288

	For year ended December 31, 2022 (audited)					
	Share capital and premium (1)	Accumulated other comprehensive loss	Retained earnings (2)	Total share-holders' equity	Non-controlling interests	Total equity
Balance as of December 31, 2021	927	(181)	9,257	10,003	434	10,437
Adjustment of the opening balance, net of tax, due to the effect of initial implementation*	-	-	(44)	(44)	(4)	(48)
Adjusted balance at January 1, 2022, following initial implementation	927	(181)	9,213	9,959	430	10,389
Net profit for the year	-	-	1,667	1,667	59	1,726
Dividend	-	-	(945)	(945)	-	(945)
Other comprehensive loss, after tax effect	-	(122)	-	(122)	(13)	(135)
Balance as at December 31, 2022	927	(303)	9,935	10,559	476	11,035

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

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

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

STATEMENT OF CASH FLOWS

(NIS million)

	For the three months ended March 31		For the year Ended December 31
	2023	2022	2022
	(unaudited)	(unaudited)	(audited)
Cash flows from operating activity:			
Net profit for the period	**654**	334	1,726
Adjustments necessary to present cash flows from (for) operating activity:			
The Bank's share in profit of investee company	**(65)**	(17)	(74)
Depreciation of premises and equipment	**16**	16	65
Amortization of intangible assets	**30**	27	113
Gain on sale of premises and equipment	**-**	(8)	(8)
Expenses from credit losses	**72**	-	123
Loss (gain) from sale of available for sale bonds and not for trading shares and provision for impairment of available-for-sale bonds and not for trading shares	**12**	(2)	46
Realized and non-realized loss (gain) from adjustment to fair value of trading securities	**4**	(3)	(1)
Non-realized loss from adjustment to fair value of not for trading shares	**7**	7	79
Deferred taxes, net	**(33)**	(20)	(60)
Defined benefit of pension and severance pay plans	**14**	17	61
Adjustments of exchange rate differences	**273**	262	1,408
Dividend received from investee company	**21**	-	118
Net change in current assets:			
Trading securities	**(351)**	(47)	207
Other assets	**(60)**	31	309
Assets in respect of derivative instruments	**(1,279)**	(504)	(826)
Net change in current liabilities:			
Other liabilities	**348**	(237)	(271)
Liabilities in respect of derivative instruments	**1,250**	321	284
Accumulation differences included in investing and financing activities	**17**	85	131
Net cash from operating activity	**930**	262	3,430
Cash flows for investing activity			
Change in Deposits with banks	**151**	182	(331)
Change in Securities borrowed	**(33)**	523	833
Change in Credit to the public	**(1,209)**	(3,168)	(11,872)
Change in Credit to the government	**(69)**	(32)	(52)
Purchase of available for sale bonds and not for trading shares	**(8,584)**	(1,890)	(6,481)
Proceeds from redemption of bonds held to maturity	**259**	255	359
Proceeds from sale of available for sale bonds and not for trading shares	**793**	791	1,834
Proceeds from redemption of available for sale bonds	**4,068**	103	1,464
Acquisition of premises and equipment	**(13)**	(2)	(41)
Proceeds of sale of premises, equipment and other assets	**-**	12	12
Investment in intangible assets	**(20)**	(22)	(130)
Net cash for investing activity	**(4,657)**	(3,248)	(14,405)

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

STATEMENT OF CASH FLOWS (CONT'D)

(NIS million)

	For the three months ended March 31,		For the year ended December 31
	2023	2022	2022
	(unaudited)	(unaudited)	(audited)
Cash flows from (for) financing activity			
Change in Deposits from the public	**3,515**	(532)	10,386
Change in Deposits from banks	**599**	1,360	(416)
Change in Deposits from the government	**553**	(1,002)	(192)
Proceeds from issue of bonds and subordinate debt notes	**-**	300	1,669
Redemption of bonds and subordinate debt notes	**(19)**	(18)	(465)
Dividend paid to shareholders	**(268)**	(380)	(945)
Net cash from (for) financing activity	**4,380**	(272)	10,037
Increase (decrease) in cash	**653**	(3,258)	(938)
Cash balances at beginning of period	**55,423**	55,992	55,992
Effect of changes in exchange rates on cash balances	**131**	50	369
Cash balances at end of period	**56,207**	52,784	55,423
Interest and taxes paid and/or received:			
Interest received	**2,007**	891	4,674
Interest paid	**(668)**	(72)	(907)
Dividends received	**7**	7	21
Income tax paid	**(361)**	(185)	(813)
Income tax received	**44**	39	44

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - PRINCIPAL ACCOUNTING POLICIES

A. GENERAL

The First International Bank of Israel Ltd. (hereinafter - "the Bank") is an Israeli corporation. The condensed consolidated interim financial statements of the Bank as of March 31, 2023, include those of the Bank and of its consolidated companies and an affiliated company (hereinafter - "the Group"). The condensed consolidated interim financial statements are prepared in accordance with generaly accepted accounting principles in Israel (Israeli GAAP) as well as in accordance with directives and guidelines of the Supervisor of Banks, and do not include all the information required in full annual financial statements. The condensed statements should be read together with the financial statements as of and for the year ended December 31, 2022, and the related notes thereto (hereinafter - "the Annual Report").

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

In accordance with the guidelines of the Supervisor of Banks, publication of condensed financial statements is made on the basis of consolidated financial statements only. The condensed consolidated interim financial statements were approved for publication by the Board of Directors on May 17, 2023.

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

B. USE OF ESTIMATES

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

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

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

C. NEW ACCOUNTING STANDARDS AND NEW DIRECTIVES OF THE SUPERVISOR OF BANKS IN THE PERIOD PRIOR TO THEIR IMPLEMENTATION

Update of Standard ASU 2022-02 in the matter of restructure of troubled debts and disclosure requirements according to the year of granting the credit

On March 31, 2022, the US Accounting Standards Board (FASB) published ASU 2022-02 in the matter of restructure of troubled debts and disclosure requirements according to the year of granting the credit with respect to allowances for credit losses (hereinafter - "the update"). The update abolishes the instructions concerning restructure of troubled debts by lenders, while improving the disclosure requirements regarding borrowers found in financial difficulties. In addition, the update adds disclosure requirements regarding gross write-offs according to the year of granting the credit.

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

At this stage, no date has as yet been fixed for the beginning of the application by banks in Israel.

The Bank is studying the requirements of the Standard and the effect of the new instructions on its financial statements.

NOTE 2 - INTEREST INCOME AND EXPENSES

(NIS million)

		For the three months ended March 31	
		2023	**2022**
			(unaudited)
A.	**Interest income** (1)		
	From credit to the public	**1,596**	828
	From credit to the Government	**6**	7
	From deposits with banks	**20**	-
	From deposits with Bank of Israel and from cash	**420**	11
	From bonds	**134**	25
	Total interest income	**2,176**	871
B.	**Interest expenses**		
	On deposits from the public	**828**	84
	On deposits from the Government	**2**	-
	On deposits from banks	**7**	1
	On deposits with Bank of Israel	**1**	-
	On bonds and subordinated capital notes	**63**	42
	Total interest expenses	**901**	127
	Total interest income, net	**1,275**	744
C.	**Details on net effect of hedging derivative instruments on interest income and expenses**		
	Interest income (expenses)(2)	**21**	(12)
D.	**Details of interest income from bonds on cumulative basis**		
	Held to maturity	**21**	10
	Available for sale	**110**	14
	Held for trading	**3**	1
	Total included in interest income	**134**	25

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

NOTE 3 - NON-INTEREST FINANCING INCOME

(NIS million)

	For the three months ended March 31	
	2023	**2022**
		(unaudited)
A. Non-interest financing income (expenses) in respect of non-trading activities		
1. From activity in derivative instruments		
Total from activity in derivative instruments(1)	**295**	271
2. From investments in bonds		
Profits from sale of bonds available for sale(2)	**6**	7
Losses from sale of bonds available for sale(2)	**(3)**	-
Provision for impairment of available-for-sale bonds(2)	**(8)**	-
Total from investment in bonds	**(5)**	7
3. Net exchange differences	**(273)**	(262)
4. From investment in shares		
Losses from sale of shares not for trading	**(7)**	(5)
Dividend from shares not for trading	**9**	17
Unrealized losses(3)	**(7)**	(7)
Total from investment in shares	**(5)**	5
Total non-interest financing income in respect of non-trading activities	**12**	21

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

	For the three months ended March 31	
	2023	**2022**
		(unaudited)
B. Net income (expenses) in respect of non-interest financing activity for trading(3)		
Net income in respect of other derivative instruments	**28**	10
Net realized and unrealized income (losses) from adjustments to fair value of bonds held for trading(1)	**(3)**	4
Net realized and unrealized income (losses) from adjustments to fair value of shares held for trading(2)	**(1)**	(1)
Total non-interest financing income from trading activities(4)	**24**	13
Total non-interest financing income	**36**	34
Details on non-interest financing income (expenses) in respect of trading activities, by risk exposure		
Interest rate exposure	**7**	(10)
Exposure to shares	**1**	2
Foreign currency exposure	**16**	21
Total	**24**	13

(1) No gains/losses exist in respect of trading bonds on hand at balance sheet date.
(2) No gains/losses exist in respect of trading shares on hand at balance sheet date.
(3) Including exchange differences arising from trading activity.
(4) See Note 2 for details on income from investment in trading bonds.

NOTE 4 - CUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS)

(NIS million)

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

	Other comprehensive income (loss) before attribution to non-controlling interests				
	Adjustment in respect of reporting available for sale bonds in fair value	Adjustments in respect of employee benefits	Total	Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive income (loss) attributed to the Bank's shareholders
					For the three months ended March 31, 2023
Balance as of December 31, 2022 (audited)	**(222)**	**(109)**	**(331)**	**(28)**	**(303)**
Net change during the period	**(20)**	**(2)**	**(22)**	**2**	**(24)**
Balance as of March 31, 2023 (unaudited)	**(242)**	**(111)**	**(353)**	**(26)**	**(327)**
					For the three months ended March 31, 2022
Balance as of December 31, 2021 (audited)	68	(264)	(196)	(15)	(181)
Net change during the period	(142)	87	(55)	(5)	(50)
Balance as of March 31, 2022 (unaudited)	(74)	(177)	(251)	(20)	(231)
					For the year ended December 31, 2022
Balance as of December 31, 2021 (audited)	68	(264)	(196)	(15)	(181)
Net change during 2022	(290)	155	(135)	(13)	(122)
Balance as of December 31, 2022 (audited)	(222)	(109)	(331)	(28)	(303)

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

(NIS million)

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

	For the three months ended March 31 (unaudited)					
			2023			2022
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests						
Adjustments in respect of presentation of available for sale bonds according to fair value						
Unrealized net gain (losses) from adjustments to fair value	**23**	**(8)**	**15**	(329)	113	(216)
Gain (losses) in respect of available for sale bonds reclassified to income statement (1)	**(53)**	**18**	**(35)**	113	(39)	74
Net change during the period	**(30)**	**10**	**(20)**	(216)	74	(142)
Employee benefits:						
Net actuarial gain (loss) for the period	**(5)**	**2**	**(3)**	123	(41)	82
Net losses reclassified to the statement of profit and loss (2)	**2**	**(1)**	**1**	8	(3)	5
Net change during the period	**(3)**	**1**	**(2)**	131	(44)	87
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests						
Total change during the period	**3**	**(1)**	**2**	(8)	3	(5)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders						
Total change during the period	**(36)**	**12**	**(24)**	(77)	27	(50)

	For the year ended December 31, 2022 (audited)		
	Before tax	Tax effect	After tax
Changes in the components of cumulative other comprehensive income (loss) before attribution to non-controlling interests			
Adjustments in respect of presentation of available for sale bonds according to fair value			
Unrealized net losses from adjustments to fair value	(767)	262	(505)
Gains in respect of available for sale bonds reclassified to income statement (1)	326	(111)	215
Net change during the period	(441)	151	(290)
Employee benefits:			
Net actuarial gain for the period	216	(73)	143
Net losses reclassified to the statement of profit and loss (2)	19	(7)	12
Net change during the period	235	(80)	155
Changes in the components of cumulative other comprehensive income (loss) attributed to non-controlling interests			
Total change during the period	(20)	7	(13)
Changes in the components of cumulative other comprehensive income (loss) attributed to the Bank's shareholders			
Total change during the period	(186)	64	(122)

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

NOTE 5 - SECURITIES
(NIS million)

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

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

C. Investment in not for trading shares	**Book value**	**cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1) (4)
Not for trading shares	**413**	**359**	**-**	(3)**64**	(3)**10**	**413**
Of which: shares, the fair value of which is not ready determinable	**212**	**208**	**-**	(3)**5**	(3)**-**	**212**
Total not for trading securities	**19,382**	**19,694**	**-**	**76**	**569**	**19,201**

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

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

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

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

(3) Recorded in the Statement of Income.

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

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

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

	March 31, 2022 (unaudited)					
A. Debentures held to maturity	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1)
Of Israeli government	2,128	2,128	-	24	41	2,111
Of financial institutions in Israel	54	54	-	-	-	54
Of others in Israel	(5)136	136	-	16	-	152
Total debentures held to maturity	2,318	2,318	-	40	41	2,317

B. Bonds available for sale	**Book value**	**Amortized cost**	**Provision for credit losses**	**Cumulative other comprehensive income**		**Fair value** (1)
				Profits	**Losses**	
Of Israeli government	8,789	8,877	-	55	143	8,789
Of foreign governments	1,909	1,924	-	-	15	1,909
Of financial institutions in Israel	187	189	-	-	2	187
Of foreign financial institutions	(6)251	257	-	-	6	251
Of others in Israel	183	183	-	2	2	183
Of foreign others	41	41	-	-	-	41
Total bonds available for sale	11,360	11,471	-	(2)57	(2)168	11,360

C. Investment in not for trading shares	**Book value**	**cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1) (4)
Not for trading shares	891	704	-	(3)189	(3)2	891
Of which: shares, the fair value of which is not ready determinable	182	165	-	(3)17	(3)-	182
Total not for trading securities	14,569	14,493	-	286	211	14,568

D. Bonds held for trading	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1)
Bonds of Israeli government	281	281	-	1	1	281
Total trading securities	281	281	-	(3)1	(3)1	281
Total securities	14,850	14,774	-	287	212	14,849

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

(1) The fair value of securities is generally based on market price, which does not necessarily reflect the price obtained in the event of sale of securities in large volumes.
(2) Included in equity in the item "Adjustments in respect of presentation of available-for-sale securities at fair value".
(3) Recorded in the Statement of Income.
(4) Regarding shares which do not have available fair value, in this column presented cost less impairment adjusted upwards or downwards to observable prices in similar or identical investments of the same issuer.
(5) Including impaired bonds accruing interest income in amount of NIS 3 million.
(6) Including securities with embedded derivative measured at fair value while changes in fair value were recognized in the statement of income amounting to NIS 17 million.

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

	December 31, 2022 (audited)					
A. Debentures held to maturity	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1)
Of Israeli government	2,941	2,941	-	-	179	2,762
Of financial institutions in Israel	89	89	-	-	4	85
Of others in Israel	(5)108	108	-	5	-	113
Total debentures held to maturity	3,138	3,138	-	5	183	2,960

B. Bonds available for sale	**Book value**	**Amortized cost**	**Provision for credit losses**	**Cumulative other comprehensive income**		**Fair value** (1)
				Profits	**Losses**	
Of Israeli government	8,041	8,303	-	47	309	8,041
Of foreign governments	3,683	3,722	-	-	39	3,683
Of financial institutions in Israel	228	247	-	-	19	228
Of foreign financial institutions	(6)360	372	-	1	13	360
Of others in Israel	61	65	-	-	4	61
Of foreign others	28	28	-	-	-	28
Total bonds available for sale	12,401	12,737	-	(2)48	(2)384	12,401

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	444	389	-	(3)65	(3)10	444
Of which: shares, the fair value of which is not ready determinable	204	198	-	(3)6	(3)-	204
Total not for trading securities	15,983	16,264	-	118	577	15,805

D. Bonds held for trading	**Book value**	**Amortized cost**	**Provision for credit losses**	**Unrealized gains from adjustment to fair value**	**Unrealized losses from adjustment to fair value**	**Fair value** (1)
Bonds of Israeli government	26	26	-	-	-	26
Shares	1	1	-	-	-	1
Total trading securities	27	27	-	-	-	27
Total securities	16,010	16,291	-	118	577	15,832

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

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

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

(3) Recorded in the Statement of Income.

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

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

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

NOTE 5 - SECURITIES (CON'T)

(NIS million)

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

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

	March 31, 2022 (unaudited)							
	Less than 12 months[1]				12 months and above[2]			
	Fair Value	Unrealized losses 0-20%[3]	Unrealized losses 20-40%[4]	Unrealized losses Total	Fair Value	Unrealized losses 0-20%[3]	Unrealized losses 20-40%[4]	Unrealized losses Total
Bonds held for redemption of Israel Government [5]	990	41	-	41	-	-	-	-
Available for-sale bonds								
Of Israeli government	5,552	143	-	143	-	-	-	-
Of foreign governments	1,833	15	-	15	-	-	-	-
Of Israeli financial institutions	132	2	-	2	-	-	-	-
Of foreign financial institutions	142	2	-	2	49	4	-	4
Of others in Israel	67	2	-	2	-	-	-	-
Total bonds available for sale	7,726	164	-	164	49	4	-	4

NOTE 5 - SECURITIES (CON'T)

(NIS million)

	December 31, 2022 (audited)							
	Less than 12 months(1)				12 months and above(2)			
	Fair Value	Unrealized losses 0-20%(3)	20-40%(4)	Total	Fair Value	Unrealized losses 0-20%(3)	20-40%(4)	Total
Bonds held for redemption(5)								
Of Israeli Government	2,466	139	-	139	296	21	19	40
Of Israeli financial institutions	62	4	-	4	-	-	-	-
Total bonds held for redemption	2,528	143	-	143	296	21	19	40
Available for-sale bonds								
Of Israeli government	4,288	175	-	175	1,631	134	-	134
Of foreign governments	3,064	37	-	37	619	2	-	2
Of Israeli financial institutions	228	19	-	19	-	-	-	-
Of foreign financial institutions	137	4	-	4	115	9	-	9
Of others in Israel	48	3	-	3	6	1	-	1
Total bonds available for sale	7,765	238	-	238	2,371	146	-	146

(1) Investments in an unrealized loss position less than 12 months.
(2) Investments in an unrealized loss position more than 12 months.
(3) Investments which their unrealized loss constitutes up to 20% of their amortized cost.
(4) Investments which their unrealized loss constitutes between 20% to 40% of their amortized cost.
(5) Amortized cost of bonds held for redemption amounts to NIS 3,168 million (31.3.22 - NIS 1,031 million, 31.12.22 - NIS 3,007 million).

Additional information regarding securities in loss position

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

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

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

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

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

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

(CONT'D)
(NIS million)

	December 31, 2022 (audited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks Governments and bonds	Total
Recorded balance:						
Debts examined on an individual basis	51,216	-	389	51,605	19,217	70,822
Debts examined on a collective basis	6,933	35,474	23,144	65,551	-	65,551
Total	58,149	35,474	23,533	117,156	19,217	136,373
Of which:						
Non-accruing debts	303	145	96	544	-	544
Debts in arrears of 90 days or more	8	-	13	21	-	21
Other problematic debts	567	75	137	779	-	779
Total problematic debts	878	220	246	1,344	-	1,344
Provision for credit losses:						
In respect of debts examined on an individual basis	645	-	10	655	2	657
In respect of debts examined on a collective basis	72	145	323	540	-	540
Total	717	145	333	1,195	2	1,197
Of which: non-accruing debts	79	6	28	113	-	113
Of which: Other problematic debts	96	3	31	130	-	130

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

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

(CONT'D)

(NIS million)

2. Change in provision for credit losses

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

	For the three months ended March 31, 2022 (unaudited)					
	Credit to the public				Banks Governments and bonds	Total
	Commercial	Housing	Other private	Total		
Change in provision for credit losses						
Provision for credit losses at beginning of the period (1)(audited)	670	159	326	1,155	-	1,155
Adjustment to opening balance in respect of the effect of initial implementation*	93	(34)	4	63	2	65
Expenses (income) in respect of credit losses	(11)	1	10	-	-	-
- Accounting write-offs	(24)	-	(20)	(44)	-	(44)
- Collection of debts written off accounting wise in previous years	24	1	23	48	-	48
Net accounting write-offs	-	1	3	4	-	4
Provision for credit losses at end of the period(2)	752	127	343	1,222	2	1,224
Of which: (1) In respect of off-balance sheet credit instruments	68	-	11	79	-	79
(2) In respect of off-balance sheet credit instruments	116	6	12	134	-	134

* Effect of initial implementation of the public reporting instruction regarding expected credit losses.

NOTE 7 - DEPOSITS FROM THE PUBLIC
(NIS million)

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

	March 31, 2023	March 31, 2022	December 31, 2022
		(unaudited)	(audited)
Demand			
- Non- bearing interest	**51,020**	71,068	55,668
- Bearing interest	**22,457**	28,316	25,869
Total demand	**73,477**	99,384	81,537
Fixed-term	**99,913**	54,654	86,732
Total deposits in Israel*	**173,390**	154,038	168,269
* Of which:			
Deposits of private individuals	**79,848**	75,069	78,552
Deposits of institutional entities	**45,014**	30,522	37,805
Deposits of corporates and others	**48,528**	48,447	51,912

B. Deposits of the public by size

	March 31, 2023	March 31, 2022	December 31, 2022
Maximum amount of deposit		(unaudited)	(audited)
Up to 1	**58,613**	56,737	57,871
From 1 to 10	**39,385**	36,852	39,447
From 10 to 100	**20,296**	19,241	20,632
From 100 to 500	**9,835**	11,053	10,857
Over 500	**45,261**	30,155	39,462
Total	**173,390**	154,038	168,269

NOTE 7A - EMPLOTYEE RIGHTS

(NIS million)

A. Composition of benefits:

		March 31,	December 31,
	2023	2022	2022
		(unaudited)	(audited)
Pension and severance pay			
Amount of liability	**841**	907	833
Fair value of assets of the scheme	**(256)**	(288)	(258)
Excess liabilities over assets of the scheme	**585**	619	575
Excess liabilities of the scheme included in the item "other liabilities"	**585**	619	575
Long-service awards - amount of liability	**15**	17	15
Benefit regarding unused sick leave - amount of liability	**27**	30	27
Other post-employment benefits	**9**	9	9
Other post-retirement benefits	**197**	204	198
Vacation pay	**85**	90	74
Other	**338**	266	276
Total			
Excess liabilities regarding employee benefits over assets of the scheme included in the item "other liabilities"	**1,256**	1,235	1,174

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

B. DEFINED BENEFITS SEVERANCE PAY AND PENSION SCHEMES

(1) Commitment and financing situation

	Severance pay and pension schemes			Other post-retirement benefits		
	For the three months ended March 31,		For the year ended December 31,	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
A. Change in liability regarding anticipated benefits						
Liability regarding anticipated benefit at beginning of period	**833**	987	987	**198**	236	236
Cost of service	**6**	7	26	**1**	1	5
Cost of interest	**9**	5	30	**2**	2	8
Actuarial loss (profit)**	**5**	(79)	(171)	**(3)**	(34)	(47)
Benefits paid	**(12)**	(13)	(39)	**(1)**	(1)	(4)
Liability regarding anticipated benefit at end of period	**841**	907	833	**197**	204	198
Liability regarding cumulative benefit at end of period	**695**	752	702	**194**	201	195
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	**258**	297	297	**-**	-	-
Actual return on assets of the scheme	**(1)**	-	(7)	**-**	-	-
Deposits in the scheme by the Bank	**2**	2	9	**-**	-	-
Benefits paid	**(3)**	(11)	(41)	**-**	-	-
Fair value of assets of the scheme at end of period	**256**	288	258	**-**	-	-
Financing situation- net liability recognized at the end of period*	**585**	619	575	**197**	204	198

* Included in the item "other liabilities".

** In the first three months 2023, the actuarial loss derived mainly from the update of the provision in respect of the implementation of the Bank Leumi agreement (see note 15 below), offset by an actuarial gain derived from the rise in the discounting interest rate. In the year 2022 and in the first three months of 2022, the actuarial gain derived mainly from the rise of the discounting interest rate.

	Severance pay and pension schemes			Other post-retirement benefits		
	March 31,		December 31,	March 31,		December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
						(NIS million)
C. Amounts recognized in the consolidated balance sheet						
Amounts recognized in the item "other liabilities"	**585**	619	575	**197**	204	198
Net liability recognized at end of period	**585**	619	575	**197**	204	198
D. Amounts recognized in other cumulative comprehensive loss, before the tax effect						
Actuarial loss, net	**123**	204	117	**29**	48	33
Closing balance in other cumulative comprehensive loss	**123**	204	117	**29**	48	33

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

(2) Expense for the period

		Severance pay and pension schemes			Other post-retirement benefits		
		For the three months ended March 31,		For the year ended December 31,	For the three months ended March 31,		For the year ended December 31,
		2023	2022	2022	2023	2022	2022
			(unaudited)	(audited)		(unaudited)	(audited)
							(NIS million)
A.	**Cost components of net benefit recognized in profit and loss**						
	Cost of service	**6**	7	26	**1**	1	5
	Cost of interest	**9**	5	30	**2**	2	8
	Anticipated return on assets of the scheme	**(2)**	(1)	(8)	**-**	-	-
	Amortization of non-recognized amounts:						
	Net actuarial loss	**2**	5	13	**1**	1	3
	Dismissal	**-**	2	3	**-**	-	-
	Capitalization of software costs	**(1)**	(1)	(3)	**-**	-	-
	Total cost of benefits, net	**14**	17	61	**4**	4	16
B.	**Changes in assets of the scheme and in liability for benefits recognized in other comprehensive (profit) loss, before the tax effect**						
	Net actuarial loss (profit) for the period	**8**	(78)	(156)	**(3)**	(34)	(47)
	Amortization of actuarial loss	**(2)**	(5)	(13)	**(1)**	(1)	(3)
	Dismissal	**-**	(2)	(3)	**-**	-	-
	Total recognized in other comprehensive (profit) loss	**6**	(85)	(172)	**(4)**	(35)	(50)
	Total net cost of benefit	**14**	17	61	**4**	4	16
	Total net cost of benefit for the period recognized in other comprehensive (profit) loss	**20**	(68)	(111)	**-**	(31)	(34)

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

(3) Assumptions

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

	Severance pay and pension schemes			Other post-retirement benefits		
		March 31,	December 31,		March 31,	December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
1. Principal guidelines used to determine the liability for benefits						
Nominal discounting rate **	**4.6**	3.1	4.4	**4.8**	3.7	4.5

	Severance pay and pension schemes			Other post-retirement benefits		
	For the three months ended March 31,		For the year ended December 31,	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
2. Principal guidelines used to measure the net cost of benefits for the period						
Nominal discounting rate **	**4.4**	2.2	2.2-4.4	**4.5**	3.0	3.0-4.7

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

				One percentage point growth		
	Severance pay and pension schemes			Other post-retirement benefits		
		March 31,	December 31,		March 31,	December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**(50)**	(63)	(49)	**(32)**	(32)	(32)

				One percentage point decline		
	Severance pay and pension schemes			Other post-retirement benefits		
		March 31,	December 31,		March 31,	December 31,
	2023	2022	2022	2023	2022	2022
		(unaudited)	(audited)		(unaudited)	(audited)
			(NIS million)			(NIS million)
Discounting rate	**61**	76	60	**41**	41	42

NOTE 7A - EMPLOTYEE RIGHTS (CON'T)

(NIS million)

C. Cash flows

Deposits

	Severance pay and pension schemes			
	Forecast	Actual deposits		
		For the three months ended March 31,		For the year ended December 31,
	*2023	2023	2022	2022
	(unaudited)		(unaudited)	(audited)
				(NIS million)
Deposits	9	**2**	2	9

* Assessment of amounts which the Bank expects to deposit with a defined benefit pension scheme during 2023.

NOTE 8 - CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY

A. BASEL 3 GUIDELINES

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

(1) Capital adequacy goals

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

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

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

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

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

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

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

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

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

(NIS million)

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

		March 31, 2023	March 31, 2022	December 31, 2022
		(unaudited)	(unaudited)	(audited)
a. Consolidated				
1.	**Capital for calculation of capital ratio**			
	Tier 1 capital, after supervisory adjustments and deductions	**11,125**	10,092	10,802
	Tier 2 capital after deductions	**3,487**	2,213	3,448
	Total comprehensive capital	**14,612**	12,305	14,250
2.	**Weighted balances of risk assets**			
	Credit risk	(2)**96,378**	(2)86,114	(2)94,786
	Market risk	**841**	623	789
	Operational risk	**8,209**	6,808	8,061
	Total weighted balances of risk assets	**105,428**	93,545	103,636
				percent
3.	**Ratio of capital to risk assets**			
	Ratio of tier 1 capital to risk assets	**10.55%**	10.79%	10.42%
	Comprehensive ratio of capital to risk assets	**13.86%**	13.15%	13.75%
	Minimal ratio of equity capital tier 1 required by the Supervisor of banks	(1)**9.24%**	(1)9.25%	(1)9.24%
	Minimal ratio of comprehensive capital required by the Supervisor of Banks	(1)**12.50%**	(1)12.50%	(1)12.50%
				percent
B. Significant Subsidiaries				
Bank Massad Ltd.				
Ratio of tier 1 capital to risk assets		**15.63%**	14.84%	15.12%
Comprehensive ratio of capital to risk assets		**16.76%**	15.97%	16.25%
Minimal ratio of equity capital tier 1 required by the Supervisor of banks		**9.00%**	9.00%	9.00%
Minimal ratio of comprehensive capital required by the Supervisor of Banks		**12.50%**	12.50%	12.50%

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

(2) An amount of NIS 62 million were deducted from the average balances of risk assets in respect of adjustments regarding the efficiency measures (31.3.22 - NIS 93 million, 31.12.22 - NIS 69 million).

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

(NIS million)

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

	March 31, 2023	March 31, 2022	December 31, 2022
	(unaudited)	(unaudited)	(audited)
A. Equity capital tier 1			
Capital attributed to shareholders	**10,888**	9,851	10,559
Differences between capital attributed to shareholders and equity capital tier 1			
Minority interests	**271**	245	265
Total equity capital tier 1 before regulatory adjustments and deductions	**11,159**	10,096	10,824
Regulatory adjustments and deductions:			
Intangible assets	**(95)**	(98)	(96)
Regulatory adjustments and other deductions- equity capital tier 1	**(4)**	(3)	(5)
Total regulatory adjustments and deductions before adjustments in respect of efficiency measures and expected credit losses - equity capital tier 1	**(99)**	(101)	(101)
Total adjustments in respect of efficiency measures - Tier 1 equity capital(1)	**44**	69	51
Total adjustments in respect of expected credit losses - Tier 1 equity capital(2)	**21**	28	28
Total equity capital tier 1 after regulatory adjustments and deductions	**11,125**	10,092	10,802
B. Tier 2 capital			
Tier 2 capital: instruments before deductions	**2,322**	1,188	2,296
Tier 2 capital: provisions before deductions	**1,165**	1,025	1,152
Total tier 2 capital before deductions	**3,487**	2,213	3,448
Deductions:			
Total deductions- tier 2 capital	**-**	-	-
Total tier 2 capital	**3,487**	2,213	3,448

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

	March 31, 2023	March 31, 2022	December 31, 2022
	(unaudited)	(unaudited)	(audited)
Ratio of capital to risk assets			
Ratio of tier 1 equity capital to risk assets before effect of adjustments	**10.48%**	10.68%	10.28%
Effect of adjustments in respect of efficiency measures(1)	**0.04%**	0.08%	0.05%
Effect of adjustments in respect of expected credit losses(2)	**0.01%**	0.03%	0.03%
Effect of adjustments in respect of highly leveraged financing of acquisition of land(3)	**0.02%**	-	0.06%
Ratio of tier 1 equity capital to risk assets	**10.55%**	10.79%	10.42%

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

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

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

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

(5) Efficiency measures

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

(a) In the course of the third quarter of 2018, a merger decision was taken, and on January 1, 2019, Otsar Hahayal was merged with and into the Bank. In respect of these actions the Group recorded a provision for increased severance compensation in the amount of NIS 82 million (net amount of NIS 53 million after the tax effect).
The impact of the efficiency measures on the ratio of equity to risk components is recognized, as stated, in installments over five years, and is estimated at March 31, 2023 to be lower by 0.01%.

(b) On July 28, 2020 and on November 3, 2020, the Board of Directors approved an efficiency plan, according to which 60 regular employees of the Bank, belonging to the defined target population, will be allowed to opt for early retirement under preferential terms.
The plan increased other comprehensive loss (gross) in an amount of NIS 48 million in respect of severance compensation liability and post-retirements benefits.
In addition, in the fourth quarter of the year 2020, an additional provision for enlarged severance compensation was recorded, in an amount of NIS 50 million, in respect of another early retirement anticipated in the upcoming years. Total net effect, after tax in respect of these actions amounted to NIS 65 million.
The impact of the efficiency measures on the ratio of equity to risk components is recognized, as stated, in installments over five years, and is estimated at March 31, 2023 to be lower by 0.03%.

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

As from January 1, 2022, the Bank is applying the new rules regarding provisions for credit losses, recognizing at date of initial implementation, the cumulative effect thereof.
On December 1, 2020, the Supervisor of Banks issued a letter in the matter of "regulatory capital - effect of implementation of accounting principles regarding expected credit losses", which included, inter alia, update of Proper Conduct of Banking Business Directive No. 299, stating that, to the extent that the initial implementation of these rules results in a decline in the Tier I equity capital of a banking corporation, then the amount of the decline may be spread over a period of three years (hereinafter - "the transitional period").
Save for the said relief, as of March 31, 2023, the implementation would have resulted in an additional decrease of 0.01% in the capital adequacy ratios.

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

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

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

The effect of the change in the risk weight on the capital ratio, in respect of the balance of loans as of June 30, 2022, may be spread in constant quarterly rates from September 30, 2022 until June 30, 2023. Save for the said relief, as of March 31, 2023, the implementation would have resulted in an additional decrease of 0.02% in the tier 1 capital ratio and comprehensive capital ratio.

(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.
- The credit portfolio's mix, including credit quality and the volume of the provision of credit losses, and including the volume of residential loans in respect of total risk's assets of the Bank.

Following is an analysis of the impact of such changes on the Tier I equity capital of the Bank as of March 31, 2023:

	Effect of a change of NIS 100 million in Tier I equity capital	Effect of a change of NIS 1 billion in total risk assets
		percent
The Bank (consolidated data)	**0.10**	**0.10**
Massad Bank Ltd.	**1.54**	**2.08**

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

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

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

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

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

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

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

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

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)	December 31, 2022 (audited)
			NIS million
A. Consolidated			
Tier 1 capital*	**11,125**	10,092	10,802
Total exposures	**216,044**	191,763	207,943
			percent
Leverage ratio	**5.15%**	5.26%	5.19%
B. Significant Subsidiary			
Massad Bank Ltd.			
Leverage ratio	**8.47%**	7.61%	8.15%
Minimal Leverage ratio required by the Supervisor of banks	**4.50%**	4.50%	4.50%

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

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

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

	For the three months ended		
	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)	December 31, 2022 (audited)
			percent
A. Consolidated*			
Liquidity coverage ratio	**131%**	126%	127%
B. The bank*			
Liquidity coverage ratio	**131%**	126%	127%
C. Significant Subsidiary*			
Massad Bank Ltd.			
Liquidity coverage ratio	**260%**	264%	261%
Minimal liquidity coverage ratio required by the Supervisor of banks	**100%**	100%	100%

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

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

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

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

		As of March 31,	As of December 31,
		2023	**2022**
		(unaudited)	(audited)
			percent
1.	**Consolidated**		
	Net stable funding ratio	**133%**	133%
2	**Significant Subsidiary**		
	Massad Bank Ltd.		
	Net stable funding ratio	**151%**	150%
	Minimal net stable funding ratio required by the Supervisor of banks	**100%**	100%

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

E. DIVIDENDS

	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
		(unaudited)	(audited)
		NIS million	NIS million
Dividend declared and paid by the Bank	**268**	380	945

Taking into consideration that the dividend distribution policy relates to an annual distribution of up to 50% of net earnings for the year, and principally on background of the uncertainty level prevailing in Israel and globally, the Board of Directors of the Bank decided on May 17, 2023, to approve a dividend distribution in cash to the shareholders of the Bank in a total amount of NIS 220 million (gross), comprising approximately 35% of net earnings, according to the financial statements of the Bank for the first quarter of 2023.

The ex-dividend date for the payment of the dividend is May 24, 2023, and the date of payment will be June 1, 2023. The amount of the dividend is before taxes, including withholding tax that the Bank has to deduct in accordance with the law.

NOTE 9 - COMMITMENTS AND CONTINGENT LIABILITIES

(NIS million)

OTHER CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS

		March 31, 2023 (unaudited)	March 31, 2022 (unaudited)	December 31 2022 (audited)
A.	Improvements to premises and acquisition of new premises, equipment and software	**10**	12	13
	Commitments to invest in private investment funds	**137**	87	151

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

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
First year	***54**	*51
Second year	**69**	64
Third year	**65**	59
Fourth year	**59**	57
Fifth year	**51**	50
Sixth year and thereafter	**186**	178
Total	**484**	459

* For the period until the end of the calendar year.

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

With respect to legal actions, including motions for approval of class actions see Note 25G to the financial statements as of December 31, 2022.

The amount of additional exposure of the Bank and of the subsidiary companies of the Bank as of March 31, 2023, 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 69 million.

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

(a) Note 25H 1(a) to the financial statements for the year 2022, discussed an amended motion filed on June 8, 2016, with the Central District Court for approval of an action as a class action against three credit card companies including ICC (hereinafter - "the amended motion"). The amended motion replaces a previous motion submitted on April 28, 2014.

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

On April 12, 2021, a pre-trial was held in which the parties stated their arguments. At the end of the hearing, the Court suggested to the parties to refer to mediation the question of date of accountability. On July 6, 2021, the parties jointly informed the Court of their acceptance of the Court's suggestion to conduct mediation proceedings in the matter, and have started the mediation process. The last mediation meeting was held on September 7, 2022, in which the Mediator declared that she sees no point in continuing the mediation proceedings, referring the parties back to the Court.

A pretrial hearing was held on November 20, 2022, at the conclusion of which, hearing of evidence was fixed for July 2023.

(b) Note 25H 1(b) to the financial statements for the year 2022, discussed an action filed on May 2, 2018, with the Tel Aviv District Court, to which was attached a motion for approval of the action as a class action suit.

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

The Plaintiffs assess their personal damage at NIS 4,036. They did not state an amount regarding the damage to the group, but assessed it at "tens of millions of NIS". ICC had responded to the motion for approval, and the Plaintiffs responded to ICC's response. Within the framework of mediation proceedings being conducted by the parties, the parties have reached agreement in principle regarding a compromise arrangement, and they are studiously working these days on drafting the compromise arrangement.

(c) Note 25H 1(c) to the financial statements for the year 2022, discussed an action filed on July 22, 2018, with the Tel Aviv District Court, to which was attached 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 credit card 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 submitted its response. Hearing of the appeal was fixed for September 27, 2023.

(d) On May 14, 2020, an action was filed against ICC with the District Court-Central Region together with a motion for approval of the action as a class action. As argued in the action, the notice delivered to the Plaintiff regarding future charges in respect of use of a credit card, contained flaws requiring determination that the notice does not fulfill the notification duties required by law. The Plaintiff states its personal monetary damage at an amount of NIS 13.5 and the non-monetary damage at an amount of NIS 100, but does not state the amount of the damage for the whole class. A pre-trial hearing of the case was held on April 7, 2021. The Court recommended that the parties conduct negotiations in order to reach an agreed arrangement. Whereas the negotiations between the parties did not reach a compromise, the parties submitted on June 6, 2021, a joint request for the fixing of a date for the hearing of evidence. 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. On April 30, 2023, ICC informed of its consent to the conduct of mediation proceedings.

(e) Note 25H 1(e) to the financial statements for the year 2022, discussed an action filed on December 8, 2020, with the Tel Aviv District Court against Isracard Ltd., Europay (EuroCard) Israel Ltd., Premium Express Ltd., ICC and Diners Club Israel Ltd., to which was attached 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. 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. On April 4, 2023, the Mediator announced that in his opinion, at this stage, it is not possible to reach agreement between the parties. Therefore, the legal proceedings are to be continued. A date for the Court hearing has not, as yet been fixed.

2. The amount of exposure regarding legal actions served against ICC, the realization of which, in whole or in part, is reasonably possible, totals NIS 253 million.

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

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

   On November 3, 2019, the Supreme Court approved an agreed motion for the consolidation of the hearing of the appeal with those of the appeals filed by competitors of ICC. A pre-trial was held on March 5, 2020.

   Hearing of evidence was held in June and July 2022. In the reported period, the parties conducted negotiations in respect of a compromise regarding the said assessments. The parties had not reached an agreement, and accordingly, ICC submitted a summing-up brief in the case. On February 12, 2023, ICC received VAT assessments for the years 2018-2022 in a total amount of NIS 192 million, including interest and linkage increments (hereinafter - "the additional assessments"). The issues raised in the said assessments are in principle similar to those contained in the assessments issued in respect of prior tax periods. To the extent that the position of ICC would be rejected by the Court, then ICC might become liable in respect of the issues raised in the assessments also with regards to the additional assessments and with regards to later periods than those of the assessments.

   ICC estimates the total amount of exposure in respect of which no allowance is included in its financial statements regarding this matter, at NIS 207 million.

E. As collateral for credit received from Bank of Israel, the Bank pledged on February 14, 2023, in favor of Bank of Israel, by means of a fixed first-degree pledge and assignment by way of pledge, unlimited in amount, all of its contractual and proprietary rights, of any type or class, in a part of the residential loan portfolio extended to its customers, including all the collateral provided by such customers securing the said residential loans. As of March 31, 2023, the residential loans serving as collateral amount to NIS 3,326 million, and this against a reduction in the balance of securities pledged in favor of Bank of Israel. For details regarding existing pledges in favor of Bank of Israel, see Note 26D to the financial statements for 2022.

F. Failure arrangements in the Central Bank Clearing (CBC) 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. The failure arrangement regarding the CBC system became effective on May 1, 2023, and that regarding the ATM system became effective on April 30, 2023.

   At the present time, participants in the payments systems are promoting the drafting of agreements for the pledging of the said collateral funds in favor of all participants.

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

(NIS million)

A. VOLUME OF ACTIVITY ON A CONSOLIDATED BASIS

1. Face value of derivatives

	March 31, 2023 (unaudited)			March 31, 2022 (unaudited)			December 31, 2022 (audited)		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts									
Forward and Futures Contracts	**329**	**3,090**	**3,419**	978	3,341	4,319	780	3,135	3,915
Options written	**-**	**-**	**-**	-	-	-	-	258	258
Options purchased	**-**	**-**	**-**	-	-	-	-	258	258
SWAPS(1)	**3,224**	**13,464**	**16,688**	3,695	12,507	16,202	3,536	13,774	17,310
Total(2)	**3,553**	**16,554**	**20,107**	4,673	15,848	20,521	4,316	17,425	21,741
Of which: Hedging derivatives(3)	**3,209**	**-**	**3,209**	3,256	-	3,256	3,522	-	3,522
Foreign currency contracts									
Forward and Futures Contracts(4)	**29,163**	**43,108**	**72,271**	20,684	27,924	48,608	18,364	34,259	52,623
Options written	**-**	**9,013**	**9,013**	-	12,475	12,475	-	6,985	6,985
Options purchased	**-**	**9,579**	**9,579**	-	12,423	12,423	-	7,250	7,250
SWAPS	**40**	**-**	**40**	52	-	52	40	-	40
Total	**29,203**	**61,700**	**90,903**	20,736	52,822	73,558	18,404	48,494	66,898
Contracts on shares									
Forward and Futures Contracts	**-**	**34,004**	**34,004**	-	30,863	30,863	84	30,803	30,887
Options written	**-**	**13,813**	**13,813**	-	17,404	17,404	-	12,127	12,127
Options purchased(5)	**1**	**13,813**	**13,814**	1	17,402	17,403	1	12,127	12,128
Total	**1**	**61,630**	**61,631**	1	65,669	65,670	85	55,057	55,142
Commodities and other contracts									
Forward and Futures Contracts	**-**	**113**	**113**	-	251	251	-	132	132
Options written	**-**	**31**	**31**	-	-	-	-	-	-
Options purchased	**-**	**31**	**31**	-	-	-	-	-	-
Total	**-**	**175**	**175**	-	251	251	-	132	132
Total face value	**32,757**	**140,059**	**172,816**	25,410	134,590	160,000	22,805	121,108	143,913

(1) Of which: SWAPS the Bank is paying fixed interest in an amount of NIS 10,118 million (31.3.22 - NIS 9,749 million, 31.12.22 - NIS 10,764 million).
(2) Of which: NIS-CPI swap contracts in an amount of NIS 882 million (31.3.22 - NIS 771 million, 31.12.22 - NIS 782 million).
(3) The Bank performs protection transactions by IRS derivatives in order to hedge the accounting fair value of bonds. These transactions hedge the interest risk imbedded in foreign currency bonds having fixed interest and long duration.
(4) Of which: foreign currency swap spot contracts in an amount of NIS 1,733 million (31.3.22 - NIS 2,738 million, 31.12.22 - NIS 1,741 million).
(5) Of which: Traded on the Stock Exchange in an amount of NIS 13,813 million (31.3.22 - NIS 17,401 million, 31.12.22 - NIS 12,127 million).

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

(NIS million)

2. Gross fair value of derivative instruments

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

	March 31, 2022 (unaudited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	56	170	226	35	170	205
Of which: Hedging derivatives	52	-	52	14	-	14
Foreign currency contracts	26	479	505	95	460	555
Contracts on shares	1	1,598	1,599	-	1,598	1,598
Commodities and other contracts	-	2	2	-	2	2
Total assets/liabilities in respect of derivatives gross	83	2,249	2,332	130	2,230	2,360
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	83	2,249	2,332	130	2,230	2,360
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

	December 31, 2022 (audited)					
	Gross amount of assets in respect of derivative instruments			Gross amount of liabilities in respect of derivative instruments		
	Not trading derivatives	Trading derivatives	Total	Not trading derivatives	Trading derivatives	Total
Interest contracts	220	299	519	17	284	301
Of which: Hedging	217	-	217	-	-	-
Foreign currency contracts	126	877	1,003	35	684	719
Contracts on shares	1	1,300	1,301	-	1,300	1,300
Commodities and other contracts	-	2	2	-	2	2
Total assets/liabilities in respect of derivatives gross	347	2,478	2,825	52	2,270	2,322
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	347	2,478	2,825	52	2,270	2,322
Of which: not subject to net settlement arrangement or similar arrangements	-	-	-	-	-	-

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

(NIS million)

B. Accounting Hedge

General

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

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

Fair value hedges

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

	For the three months ended March 31,	For the three months ended March 31,	For the year ended December 31,
	2023	2022	2022
		(unaudited)	(audited)
			Interest income (expenses)
1. Effect of accounting of fair value Hedge on profit (loss)			
Profit from fair value Hedge			
Interest contracts			
- Hedged items	**28**	(123)	(299)
- Hedging derivatives	**(7)**	111	293

	March 31, 2023 (unaudited)		March 31, 2022 (unaudited)		December 31, 2022 (audited)	
		Cumulative fair value adjustments decreasing the book value		Cumulative fair value adjustments increasing the book value		Cumulative fair value adjustments increasing the book value
	Book value	Existing hedge relation	Book value	Existing hedge relation	Book value	Existing hedge relation
2. Items Hedged by fair value Hedge						
Securities- debt instruments classified as available for sale	**3,091**	**(165)**	3,390	(45)	3,494	(223)

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

(NIS million)

	For the three months ended March 31, 2023 (unaudited)	For the three months ended March 31, 2022 (unaudited)	For the year ended December 31, 2022 (audited)
		Profit (loss) recognized in income (expenses) from activity in derivative instruments(1)	
3. Effect of derivatives which were not designated as hedging instruments on statement of income			
Derivatives which were not designated as hedging instruments			
Interest contracts	**40**	1	127
Foreign currency contracts	**281**	277	1,481
Contracts on shares	**2**	3	8

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

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

(NIS million)

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

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

	March 31, 2022 (unaudited)						
	Exchanges	Banks	Dealers/ brokers	Government and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments	184	750	855	9	296	238	2,332
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(208)	(35)	-	(169)	(63)	(475)
Credit risk mitigation in respect of cash collateral received	-	(19)	-	-	(120)	(73)	(212)
Net amount of assets in respect of derivative instruments	184	523	820	9	7	102	1,645
Off balance sheet credit risk in respect of derivative instruments(2)	-	281	45	14	1,481	209	2,030
Off balance sheet mitigation	-	(150)	(12)	-	(1,155)	(84)	(1,401)
Net off balance sheet credit risk in respect of derivative instruments	-	131	33	14	326	125	629
Total credit risk in respect of derivative instruments	184	654	853	23	333	227	2,274
Balance sheet balance of liabilities in respect of derivative instruments	146	323	181	-	1,484	226	2,360
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(208)	(35)	-	(157)	(29)	(429)
Cash collateral which was attached by a lien	-	(49)	(5)	-	(2)	-	(56)
Net amount of liabilities in respect of derivative instruments	146	66	141	-	1,325	197	1,875

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

(NIS million)

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

	December 31, 2022 (audited)						
	Exchanges	**Banks**	**Dealers/ brokers**	**Government and central banks**	**Institutional entities**	**Others**	**Total**
Balance sheet balance of assets in respect of derivative instruments	674	595	329	-	948	279	2,825
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(391)	(65)	-	(66)	(63)	(585)
Credit risk mitigation in respect of cash collateral received	-	(102)	(211)	-	(410)	(1)	(724)
Net amount of assets in respect of derivative instruments-reflecting proforma, if the entity performed setoff of assets and liabilities	674	102	53	-	472	215	1,516
Adjustment of net balance sheet balance to balance sheet credit risk	(674)	(44)	(50)	-	-	(1)	(769)
Balance sheet credit risk in respect of derivatives instruments	-	58	3	-	472	214	747
Net off balance sheet credit risk in respect of derivative instruments(2)	-	246	33	23	1,712	453	2,467
Total credit risk in respect of derivative instruments	-	304	36	23	2,184	667	3,214
Balance sheet balance of liabilities in respect of derivative instruments	84	1,007	163	103	728	237	2,322
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(391)	(65)	-	(66)	(63)	(585)
Cash collateral which was attached by a lien	-	(122)	(11)	(94)	(13)	-	(240)
Net amount of liabilities in respect of derivative instruments	84	494	87	9	649	174	1,497

(1) 31.3.22 - The fair value of derivative instruments subject to netting agreements amounts to NIS 429 million, government bonds received as collateral amounts to NIS 13 million, shares received as collateral amounts to NIS 32 million and corporate bonds received as collateral amounts to NIS 1 million.

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

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

(NIS million)

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

	March 31, 2023 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Interest rate contracts -					
- NIS - CPI	**432**	**200**	**250**	**-**	**882**
- Other	**3,863**	**5,949**	**6,810**	**2,603**	**19,225**
Foreign currency contracts	**72,378**	**17,888**	**637**	**-**	**90,903**
Contracts of shares	**58,397**	**2,972**	**262**	**-**	**61,631**
Commodities and other contracts	**175**	**-**	**-**	**-**	**175**
Total	**135,245**	**27,009**	**7,959**	**2,603**	**172,816**

	March 31, 2022 (unaudited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	95,073	49,704	12,008	3,215	160,000

	December 31, 2022 (audited)				
	Up to 3 months	from 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Total	107,856	23,824	8,828	3,405	143,913

NOTE 11 - SUPERVISORY SEGMENTS OF OPERATION

A. ASSIGNMENT OF CUSTOMERS TO THE SUPERVISORY ACTIVITY SEGMENTS

The reporting is in accordance with the format and classifications established in the Public Reporting Directives of the Banking Supervision Department, as detailed in the Annual Financial Statements for 2022.

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION

	For the three months ended March 31, 2023 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	809	437	5	1	327	118	326	10	585	2,176
Interest expense from external	324	-	-	58	113	32	134	273	(33)	901
Net interest income										
- From external	485	437	5	(57)	214	86	192	(263)	618	1,275
- Inter - segment	177	(306)	(2)	89	82	(4)	(37)	313	(620)	-
Total net interest income	662	131	3	32	296	82	155	50	(2)	1,275
Non-interest income	152	2	24	24	100	21	43	54	31	425
Total income	814	133	27	56	396	103	198	104	29	1,700
Expenses (income) from credit losses	11	-	-	-	31	25	6	(1)	-	72
Operating and other expenses	375	39	11	22	179	30	55	47	16	724
Operating profit before taxes	428	94	16	34	186	48	137	58	13	904
Provision for taxes on operating profit	149	33	6	12	65	17	48	20	4	315
Operating profit after taxes	279	61	10	22	121	31	89	38	9	589
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	65	65
Net profit:										
Before attribution to non-controlling interests	279	61	10	22	121	31	89	38	74	654
Attributed to non-controlling interests	(20)	-	(1)	-	(4)	(1)	(1)	-	3	(23)
Net profit attributed to shareholders of the Bank	259	61	9	22	117	30	88	38	77	631
Average balance of assets(1)	57,809	35,484	3,140	85	20,937	7,941	28,714	1,680	79,150	196,316
of which: Investee Company(1)	-	-	-	-	-	-	-	-	709	709
of which: Average balance of credit to the public(1)	57,809	35,484	3,140	85	20,937	7,941	28,714	1,680	-	117,166
Balance of credit to the public	59,008	(4)35,516	4,268	97	20,725	7,835	30,725	1,602	-	119,992
Balance of non-accruing debts	238	148	-	-	193	91	23	-	-	545
Balance in arrears over 90 days	14	-	-	-	8	-	-	-	-	22
Average balance of liabilities(1)	68,681	461	80	10,344	26,951	6,795	16,912	38,754	16,685	185,122
of which: Average balance of deposits from the public(1)	67,913	-	-	10,334	26,490	6,581	16,018	38,713	-	166,049
Balance of deposits from the public	69,262	-	-	10,586	26,346	6,660	15,522	45,014	-	173,390
Average balance of risk assets(1)(2)	39,266	18,461	2,860	416	19,750	8,826	28,257	1,077	6,940	104,532
Balance of risk assets(2)	39,474	18,479	3,743	415	19,375	8,795	28,888	1,075	7,406	105,428
Average balance of assets under management(1)(3)	37,957	-	-	25,661	19,463	4,382	14,115	309,481	-	411,059
Segmentation of net interest income:										
- Earnings from credit - granting activity	283	116	3	-	145	48	101	2	-	579
- Earnings from deposits - taking activity	352	-	-	32	135	27	32	47	-	625
- Other	27	15	-	-	16	7	22	1	(2)	71
Total net interest income	662	131	3	32	296	82	155	50	(2)	1,275

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Including residential loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,410 million.

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the three months ended March 31, 2022 (Unaudited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	428	295	5	1	193	52	145	7	45	871
Interest expense from external	40	-	-	5	13	3	49	14	3	127
Net interest income										
- From external	388	295	5	(4)	180	49	96	(7)	42	744
- Inter - segment	(76)	(182)	(2)	9	(22)	(8)	(19)	17	99	-
Total net interest income	312	113	3	5	158	41	77	10	141	744
Non-interest income	157	3	24	25	100	18	34	55	37	426
Total income	469	116	27	30	258	59	111	65	178	1,170
Expenses (income) from credit losses	11	1	-	-	(10)	7	(8)	-	-	-
Operating and other expenses	359	52	6	19	171	27	46	41	21	684
Operating profit before taxes	99	63	21	11	97	25	73	24	157	486
Provision for taxes on operating profit	34	22	7	4	33	9	26	9	54	169
Operating profit after taxes	65	41	14	7	64	16	47	15	103	317
Bank's share in operating profit of investee company after tax effect	-	-	-	-	-	-	-	-	17	17
Net profit:										
Before attribution to non-controlling interests	65	41	14	7	64	16	47	15	120	334
Attributed to non-controlling interests	(7)	-	(1)	-	(1)	(1)	-	-	(3)	(12)
Net profit attributed to shareholders of the Bank	58	41	13	7	63	15	47	15	117	322
Average balance of assets(1)	54,669	32,924	2,892	92	21,103	6,246	19,421	1,510	78,489	181,530
of which: Investee Company(1)	-	-	-	-	-	-	-	-	727	727
of which: Average balance of credit to the public(1)	54,669	32,924	2,892	92	21,103	6,246	19,421	1,510	-	103,041
Balance of credit to the public	56,309	(4)33,325	3,839	109	21,947	6,714	20,672	1,591	-	107,342
Balance of non-accruing debts	253	146	-	-	239	77	53	-	-	622
Balance in arrears over 90 days	13	-	-	-	3	-	-	-	-	16
Average balance of liabilities(1)	64,634	212	33	9,528	26,447	7,141	16,263	31,403	15,711	171,127
of which: Average balance of deposits from the public(1)	64,438	-	-	9,525	26,279	7,071	15,702	31,372	-	154,387
Balance of deposits from the public	65,391	-	-	9,678	26,487	7,076	14,884	30,522	-	154,038
Average balance of risk assets(1)(2)	35,741	17,436	3,327	269	19,336	7,287	20,441	2,559	5,634	91,267
Balance of risk assets(2)	35,961	17,663	4,061	265	19,139	7,719	21,587	1,608	7,266	93,545
Average balance of assets under management(1)(3)	39,485	-	-	24,326	21,134	3,958	17,896	334,454	-	441,253
Segmentation of net interest income:										
- Earnings from credit - granting activity	284	113	3	-	149	39	74	3	-	549
- Earnings from deposits - taking activity	29	-	-	5	9	2	4	7	-	56
- Other	(1)	-	-	-	-	-	(1)	-	141	139
Total net interest income	312	113	3	5	158	41	77	10	141	744

(1) Average balances computed on the basis of balances at the beginning of the quarter or as at the beginning of the month.
(2) Risk assets - as computed for the purpose of capital adequacy.
(3) Managed assets - including assets of provident funds, further education funds, mutual funds and securities of customers.
(4) Including residential loans to private individuals, which their business activity is classified to the small and minute business segment amount to NIS 1,350 million.

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

(NIS million)

B. OPERATIONAL SUPERVISION SEGMENT INFORMATION (CON'T)

	For the year ended December 31, 2022 (audited)									
	Activity in Israel									
	Households									
	Total	Of which: Housing loans	Of which: credit cards	Private banking	Small and minute businesses	Medium businesses	Large businesses	Institutional entities	Financial Management	Total
										(NIS million)
Interest income from external	2,408	1,421	20	2	919	290	702	13	827	5,161
Interest expense from external	479	-	-	70	151	41	360	267	(10)	1,358
Net interest income										
- From external	1,929	1,421	20	(68)	768	249	342	(254)	837	3,803
- Inter - segment	(209)	(939)	(8)	138	77	(12)	71	375	(440)	-
Total net interest income	1,720	482	12	70	845	237	413	121	397	3,803
Non-interest income	610	13	102	88	382	75	156	197	103	1,611
Total income	2,330	495	114	158	1,227	312	569	318	500	5,414
Expenses from credit losses	41	25	-	1	24	42	13	2	-	123
Operating and other expenses	1,440	190	31	76	674	113	201	177	74	2,755
Operating profit before taxes	849	280	83	81	529	157	355	139	426	2,536
Provision for taxes on operating profit	296	98	29	28	184	55	124	48	149	884
Operating profit after taxes	553			53	345	102	231	91	277	1,652
Bank's share in operating profit of investee company after tax effect	-			-	-	-	-	-	74	74
Net profit:										
Before attribution to non-controlling interests	553	182	54	53	345	102	231	91	351	1,726
Attributed to non-controlling interests	(43)	-	(3)	(1)	(6)	(3)	(1)	-	(5)	(59)
Net profit attributed to shareholders of the Bank	510	182	51	52	339	99	230	91	346	1,667
Average balance of assets(1)	56,656	34,470	3,077	111	21,502	7,291	23,381	1,572	76,588	187,101
of which: Investee Company(1)	-			-	-	-	-	-	698	698
of which: Average balance of credit to the public(1)	56,656	34,470	3,077	111	21,502	7,291	23,381	1,572	-	110,513
Balance of credit to the public	59,045	(4)35,474	4,062	97	20,468	8,215	27,389	2,010	-	117,224
Balance of non-accruing debts	241	145	-	-	234	35	34	-	-	544
Balance in arrears over 90 days	13	-	-	-	8	-	-	-	-	21
Average balance of liabilities(1)	66,970	311	47	9,787	27,225	6,980	18,090	32,022	15,537	176,611
of which: Average balance of deposits from the public(1)	66,606	-	-	9,781	26,987	6,864	17,339	31,997	-	159,574
Balance of deposits from the public	68,122	-	-	10,430	27,325	6,834	17,753	37,805	-	168,269
Average balance of risk assets(1)(2)	37,489	18,080	3,460	346	20,384	8,494	23,360	1,538	6,350	97,961
Balance of risk assets(2)	38,197	18,480	3,905	320	19,574	9,053	26,551	1,210	8,731	103,636
Average balance of assets under management(1)(3)	38,395	-	-	25,265	20,356	4,117	16,056	310,106	-	414,295
Segmentation of net interest income:										
- Earnings from credit - granting activity	1,144	465	12	1	601	177	332	11	-	2,266
- Earnings from deposits - taking activity	545	-	-	69	226	52	59	109	-	1,060
- Other	31	17	-	-	18	8	22	1	397	477
Total net interest income	1,720	482	12	70	845	237	413	121	397	3,803

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

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

The division into segments of activity according to the management approach is based on types of products and services or on types of customers. The chief operating decision maker of the Bank uses this division to make decisions and to analyze the Group's business results. For details regarding the assignment of customers to segments based on the management approach and rules for the distribution of results of operations among the segments, see Note 28A to the Annual Financial Statements for 2022.

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

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

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

For the three months ended March 31, 2023 (unaudited)					
			Adjustments		
Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
586	**(3)**	**106**	**(655)**	**(586)**	**1,275**
251	**40**	**17**	**(229)**	**(202)**	**425**
837	**37**	**123**	**(884)**	**(788)**	**1,700**
3	**-**	**(5)**	**(17)**	**(3)**	**72**
245	**16**	**56**	**(242)**	**(200)**	**724**
589	**21**	**72**	**(625)**	**(585)**	**904**
205	**7**	**25**	**(218)**	**(204)**	**315**
384	**14**	**47**	**(407)**	**(381)**	**589**
-	**65**	**-**	**-**	**-**	**65**
384	**79**	**47**	**(407)**	**(381)**	**654**
-	**-**	**(23)**	**-**	**-**	**(23)**
384	**79**	**24**	**(407)**	**(381)**	**631**
12,205	**76,760**	**9,312**	**(18,120)**	**(12,205)**	**196,316**
12,396	**-**	**6,208**	**(18,691)**	**(12,396)**	**119,769**
166,674	**-**	**9,404**	**(176,203)**	**(166,674)**	**173,390**

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

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

(NIS million)

	Banking Division				Corporate Division		
	Housing loans	Households	Private banking	Other	Corporate customers	Commercial customers	Other
Net interest income	488	760	391	595	622	340	135
Non-interest income	12	224	453	232	289	88	38
Total income	500	984	844	827	911	428	173
Expenses in respect of credit losses	38	11	6	48	10	45	2
Operating and other expenses	198	717	521	461	366	182	44
Operating profit before taxes	264	256	317	318	535	201	127
Provision for taxes on operating profit	92	89	110	111	186	70	44
Operating profit after taxes	172	167	207	207	349	131	83
Bank's share in operating profit of investee company after taxes	-	-	-	-	-	-	-
Net profit							
Before attribution to non-controlling interests	172	167	207	207	349	131	83
Attributed to non-controlling interests	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	172	167	207	207	349	131	83
Average balance of assets[1]	34,210	15,452	4,532	11,166	32,347	11,290	1,253
Balance of credit to the public at the end of the reported period	35,229	15,992	4,773	12,546	36,115	11,657	1,404
Balance of deposits from the public at the end of the reported period	-	32,580	41,815	23,970	32,813	9,687	30,006

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

	For the year ended December 31, 2022 (audited)					
				Adjustments		
	Customer Asset Division	Financial management	Subsidiary companies	Total	Of which: operation in the capital market products	Total
	1,033	371	307	(1,239)	(1,033)	3,803
	945	100	95	(865)	(758)	1,611
	1,978	471	402	(2,104)	(1,791)	5,414
	9	-	5	(51)	(9)	123
	870	72	211	(887)	(697)	2,755
	1,099	399	186	(1,166)	(1,085)	2,536
	383	139	66	(406)	(377)	884
	716	260	120	(760)	(708)	1,652
	-	74	-	-	-	74
	716	334	120	(760)	(708)	1,726
	-	-	(59)	-	-	(59)
	716	334	61	(760)	(708)	1,667
	10,361	74,089	9,099	(16,698)	(10,361)	187,101
	11,653	-	6,137	(18,350)	(11,653)	117,156
	161,954	-	9,347	(173,903)	(161,954)	168,269

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

(NIS million)

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

Provision for credit losses

1. Change in provision for credit losses

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

	For the three months ended March 31, 2022 (unaudited)					
	Credit to the public				Banks, Governments and Bonds	Total
	Commercial	Housing	Other private	Total		
Provision for credit losses at beginning of the year (1)	670	159	326	1,155	-	1,155
Adjustment to opening balance due to effect of initial implementation**	93	(34)	4	63	2	65
Expenses (income) in respect of credit losses	(11)	1	10	-	-	-
- Accounting write-offs	(24)	-	(20)	(44)	-	(44)
- Collection of debts written off in accounting in previous years	24	1	23	48	-	48
Net accounting write-offs	-	1	3	4	-	4
Provision for credit losses at end of the period(2)	752	127	343	1,222	2	1,224
Of which: (1) In respect of off-balance sheet credit instruments	68	-	11	79	-	79
(2) In respect of off-balance sheet credit instruments	116	6	12	134	-	134

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

** Effect of initial implementation of the public reporting instruction regarding expected credit losses.

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

(NIS million)

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

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

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

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

	December 31, 2022 (audited)					
	Credit to the public					
	Commercial	Housing	Other private	Total	Banks and Governments	Total
Recorded debt balance of debts						
Examined on an individual basis	51,216	-	389	51,605	19,217	70,822
Examined on a collective basis	6,933	35,474	23,144	65,551	-	65,551
Total debts	58,149	35,474	23,533	117,156	19,217	136,373
Provision for credit losses in respect of debts						
Examined on an individual basis	645	-	10	655	2	657
Examined on a collective basis	72	145	323	540	-	540
Total provision for credit losses	717	145	333	1,195	2	1,197

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

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

(NIS million)

B. CREDIT TO THE PUBLIC

1. Credit quality and arrears

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

(1) Credit to the public not accruing, inferior or under special supervision.
(2) Classified as problematic debts, accruing interest income.
(5) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 91 million (31.3.22 - NIS 85 million) were classified as problematic debts.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1. Credit quality and arrears (Cont'd)

	March 31, 2022 (unaudited)					
		Problematic(1)			Accruing debts(2) - additional information	
	Performing	Accruing(2)	Non-accruing	Total	In arrears of 90 days or more	In arrears of 30 to 89 days(3)
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	7,540	37	52	7,629	-	3
Construction and real estate - real estate activities	6,540	5	45	6,590	-	3
Financial services	10,013	2	5	10,020	-	23
Commercial - other	25,376	650	265	26,291	3	21
Total commercial	49,469	694	367	50,530	3	50
Private individuals - housing loans	33,133	46	146	33,325	-	165
Private individuals - others	22,746	138	107	22,991	13	45
Total activity in Israel	105,348	878	620	106,846	16	260
Borrower activity abroad						
Public - commercial						
Construction and real estate	21	-	-	21	-	-
Other commercial	473	-	2	475	-	5
Total commercial	494	-	2	496	-	5
Private individuals	-	-	-	-	-	-
Total activity abroad	494	-	2	496	-	5
Total credit to the public	105,842	878	622	107,342	16	265

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1. Credit quality and arrears (Cont'd)

	December 31, 2022 (audited)					
		Problematic[1]			Accruing debts[2] - additional information	
	Performing	Accruing[2]	Non-accruing	Total	In arrears of 90 days or more	In arrears of 30 to 89 days[3]
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	9,620	26	60	9,706	-	4
Construction and real estate - real estate activities	7,076	13	40	7,129	-	12
Financial services	13,000	4	2	13,006	-	11
Commercial - other	27,130	532	201	27,863	8	22
Total commercial	56,826	575	303	57,704	8	49
Private individuals - housing loans	35,254	75	145	35,474	-	205
Private individuals - others	23,287	150	96	23,533	13	45
Total activity in Israel	115,367	800	544	116,711	21	299
Borrower activity abroad						
Public - commercial						
Construction and real estate	13	-	-	13	-	-
Other commercial	432	-	-	432	-	-
Total commercial	445	-	-	445	-	-
Private individuals	-	-	-	-	-	-
Total activity abroad	445	-	-	445	-	-
Total credit to the public	115,812	800	544	117,156	21	299

(1) Credit to the public not accruing, inferior or under special supervision.
(2) Classified as problematic debts, accruing interest income.
(5) Accruing interest income. Debts in arrears of 30 to 89 days, in the amount of approximately NIS 81 million were classified as problematic debts.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1.1. Credit quality according to the credit granting year

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

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

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1.1. Credit quality according to the credit granting year

	March 31, 2022 (unaudited)							
	Stated balance of debt regarding fixed-term credit to the public*							
	2022	2021	2020	2019	2018	Prior years	Stated debt Balance of renewable loans	Total
Borrower activity in Israel								
Public - commercial								
Construction and real estate	2,199	5,214	1,800	1,919	459	1,111	1,517	14,219
Credit having a credit granting rating	2,047	4,836	1,723	1,880	443	1,096	1,414	13,439
Credit not having credit granting rating and is not problematic	149	350	64	14	15	9	40	641
Accruing problematic credit	2	16	6	2	1	3	12	42
Non-accruing credit	1	12	7	23	-	3	51	97
Other commercial	4,524	9,087	5,895	3,884	985	2,188	9,748	36,311
Credit having a credit granting rating	4,343	8,669	5,635	3,807	918	2,095	8,968	34,435
Credit not having credit granting rating and is not problematic	116	209	141	45	33	31	379	954
Accruing problematic credit	53	147	88	22	25	47	270	652
Non-accruing credit	12	62	31	10	9	15	131	270
Private individuals - residential loans	2,414	7,633	5,642	3,365	2,650	11,621	-	33,325
LTV of up to 60%	1,530	5,121	3,833	2,347	1,918	8,415	-	23,164
LTV of over 60% and up to 75%	870	2,385	1,753	980	701	2,577	-	9,266
LTV of over 75%	14	127	56	38	31	629	-	895
Credit not in default, having a credit granting rating	2,411	7,573	5,572	3,329	2,605	11,293	-	32,783
Credit not in default, not having a credit granting rating	2	37	47	16	16	122	-	240
In arrears for 30 to 89 days	1	21	19	15	19	95	-	170
In arrears for over 90 days	-	2	4	5	10	111	-	132
Non-accruing credit	1	3	5	7	11	119	-	146
Private individuals - others	4,357	5,648	3,768	2,335	1,679	3,437	1,767	22,991
Credit not in default, having a credit granting rating	4,323	5,445	3,583	2,231	1,604	3,231	1,703	22,120
Credit not in default, not having a credit granting rating	27	167	161	92	68	193	54	762
In arrears for 30 to 89 days	7	26	16	7	4	8	7	75
In arrears for over 90 days	-	10	8	5	3	5	3	34
Non-accruing credit	16	34	24	12	6	11	4	107
Total Credit to the public - activity in Israel	13,494	27,582	17,105	11,503	5,773	18,357	13,032	106,846
Total Credit to the public - activity abroad	236	66	1	-	10	-	183	496
Performing credit	236	66	1	-	10	-	181	494
Accruing problematic credit	-	-	-	-	-	-	-	-
Non-accruing credit	-	-	-	-	-	-	2	2
Total Credit to the public	13,730	27,648	17,106	11,503	5,783	18,357	13,215	107,342

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

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

1.1. Credit quality according to the credit granting year

	December 31, 2022 (audited)							
	Stated balance of debt regarding fixed-term credit to the public*							
	2022	2021	2020	2019	2018	Prior years	Stated debt Balance of renewable loans	Total
Borrower activity in Israel								
Public - commercial								
Construction and real estate	7,072	3,141	1,476	1,535	425	1,118	2,068	16,835
Credit having a credit granting rating	6,935	3,067	1,450	1,517	416	1,083	1,965	16,433
Credit not having credit granting rating and is not problematic	125	59	13	7	4	14	41	263
Accruing problematic credit	6	7	7	2	2	6	9	39
Non-accruing credit	6	8	6	9	3	15	53	100
Other commercial	11,627	6,745	4,645	3,417	870	2,190	11,375	40,869
Credit having a credit granting rating	11,285	6,527	4,347	3,285	803	2,094	10,642	38,983
Credit not having credit granting rating and is not problematic	292	106	159	81	31	42	436	1,147
Accruing problematic credit	38	84	100	38	20	16	240	536
Non-accruing credit	12	28	39	13	16	38	57	203
Private individuals - residential loans	5,684	7,359	5,189	3,361	2,649	11,232	-	35,474
LTV of up to 60%	3,621	4,719	3,404	2,342	1,918	8,272	-	24,276
LTV of over 60% and up to 75%	2,039	2,586	1,729	981	700	2,406	-	10,441
LTV of over 75%	24	54	56	38	31	554	-	757
Credit not in default, having a credit granting rating	5,667	7,311	5,126	3,331	2,605	10,942	-	34,982
Credit not in default, not having a credit granting rating	8	19	19	13	14	82	-	155
In arrears for 30 to 89 days	9	26	37	13	20	107	-	212
In arrears for over 90 days	-	3	7	4	10	101	-	125
Non-accruing credit	-	3	8	5	11	118	-	145
Private individuals - others	8,245	3,299	2,342	1,699	1,828	4,143	1,977	23,533
Credit not in default, having a credit granting rating	8,115	3,179	2,248	1,625	1,718	3,870	1,845	22,600
Credit not in default, not having a credit granting rating	117	103	84	64	94	240	113	815
In arrears for 30 to 89 days	9	10	7	6	11	30	7	80
In arrears for over 90 days	4	7	3	4	5	3	12	38
Non-accruing credit	11	12	9	9	14	38	3	96
Total Credit to the public - activity in Israel	32,628	20,544	13,652	10,012	5,772	18,683	15,420	116,711
Total Credit to the public - activity abroad	275	-	1	1	9	-	159	445
Performing credit	275	-	1	1	9	-	159	445
Accruing problematic credit	-	-	-	-	-	-	-	-
Non-accruing credit	-	-	-	-	-	-	-	-
Total Credit to the public	32,903	20,544	13,653	10,013	5,781	18,683	15,579	117,156

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

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

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

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

(1) Stated balance of debt.

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

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

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

	March 31, 2022 (unaudited)					
	Balance[1] of provided for non-accruing debts	Balance of provision	Balance[1] of not provided for non-accruing debts	Total Balance[1] of non-accruing debts	Balance of contractual principal of non-accruing debts	Recognized interest income[2]
Borrower activity in Israel						
Construction and real estate	78	9	19	97	1,901	-
Commercial - other	234	109	36	270	3,566	-
Total commercial	312	118	55	367	5,467	-
Private individuals - residential loans	146	6	-	146	157	-
Private individuals - others	95	31	12	107	353	-
Total Credit to the public - activity in Israel	553	155	67	620	5,977	-
Borrower activity abroad						
Total Credit to the public - activity abroad	2	2	-	2	16	-
Total *	555	157	67	622	5,993	-
(*) Of which:						
Measured by present value of cash flows	404	151	43	447		
Measured specifically according to present value of collateral	-	-	16	16		
Measured on a collective basis	151	6	8	159		

(1) Stated balance of debt.

(2) Amount of interest income recognized in the reported period, in respect of the average balance of non-accruing debts, during the period of time in which the debts had been classified as non-accruing.
Had the non-accruing debts accrued interest according to the original terms, interest income of NIS 9 million would have been recognized.
Additional information: the total stated average debt balance of non-accruing debts was NIS 652 million.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

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

	December 31, 2022 (audited)					
	Balance[1] of provided for non-accruing debts	Balance of provision	Balance[1] of not provided for non-accruing debts	Total Balance[1] of non-accruing debts	Balance of contractual principal of non-accruing debts	Recognized interest income[2]
Borrower activity in Israel						
Construction and real estate	80	21	20	100	2,139	-
Commercial - other	151	58	52	203	3,740	-
Total commercial	231	79	72	303	5,879	-
Private individuals - housing loans	143	6	2	145	173	-
Private individuals - others	82	28	14	96	342	-
Total Credit to the public - activity in Israel	456	113	88	544	6,394	-
Borrower activity abroad						
Total Credit to the public - activity abroad	-	-	-	-	31	-
Total *	456	113	88	544	6,425	-
(*) Of which:						
Measured by present value of cash flows	231	79	61	292		
Measured specifically according to present value of collateral	-	-	12	12		
Measured on a collective basis	225	34	15	240		

(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 39 million would have been recognized.
Additional information: the total stated average debt balance of non-accruing debts was NIS 538 million.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Debts which had undergone restructure of a problematic debt:

	March 31, 2023 (unaudited)				
	Recorded debt balance				
	Not accruing interest income	accruing(1) in arrears of 90 days or more	accruing (1) in arrears of 30 to 89 days	Accruing(1), not in arrears	Total(2)
Borrower activity in Israel					
Public - commercial					
Construction and real estate	**16**	**-**	**-**	**3**	**19**
Commercial - other	**59**	**-**	**-**	**11**	**70**
Total commercial	**75**	**-**	**-**	**14**	**89**
Private individuals - residential loans	**12**	**-**	**-**	**2**	**14**
Private individuals - others	**64**	**-**	**-**	**26**	**90**
Total Credit to the public - activity in Israel	**151**	**-**	**-**	**42**	**193**
Borrower activity abroad					
Total Credit to the public - activity abroad	**-**	**-**	**-**	**-**	**-**
Total	**151**	**-**	**-**	**42**	**193**

	March 31, 2022 (unaudited)				
	Recorded debt balance				
	Not accruing interest income	accruing(1) in arrears of 90 days or more	accruing (1) in arrears of 30 to 89 days	Accruing(1), not in arrears	Total(2)
Borrower activity in Israel					
Public - commercial					
Construction and real estate	8	-	-	4	12
Commercial - other	56	-	-	16	72
Total commercial	64	-	-	20	84
Private individuals - residential loans	15	-	-	4	19
Private individuals - others	71	-	-	26	97
Total Credit to the public - activity in Israel	150	-	-	50	200
Borrower activity abroad					
Total Credit to the public - activity abroad	-	-	-	-	-
Total	150	-	-	50	200

(1) Accruing interest income.
(2) As at March 31, 2023, debts of NIS 184 million, that had been restructured are classified as problematic debts (as of March 31, 2022 - NIS 165 million).

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Debts which had undergone restructure of a problematic debt: (Cont'd)

	December 31, 2022 (audited)				
	Recorded debt balance				
	Not accruing interest income	accruing[1] in arrears of 90 days or more	accruing [1] in arrears of 30 to 89 days	Accruing[1], not in arrears	Total[2]
Borrower activity in Israel					
Public - commercial					
Construction and real estate	14	-	-	4	18
Commercial - other	52	-	-	15	67
Total commercial	66	-	-	19	85
Private individuals - residential loans	13	-	-	1	14
Private individuals - others	63	-	-	26	89
Total Credit to the public - activity in Israel	142	-	-	46	188
Borrower activity abroad					
Total Credit to the public - activity abroad	-	-	-	-	-
Total	142	-	-	46	188

(1) Accruing interest income.

(2) As at December 31, 2022, debts of NIS 165 million, that had been restructured are classified as problematic debts.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

2.B. Debts which had undergone restructure of a problematic debt: (Cont'd)

	Restructuring made					
	For the three months ended March 31					
	2023			2022		
				(unaudited)		
	Number of contracts	Debt balance before restructuring	Debt balance after restructuring	Number of contracts	Debt balance before restructuring	Debt balance after restructuring
Borrower activity in Israel						
Public - commercial						
Construction and real estate	**11**	**2**	**2**	6	1	1
Commercial - other	**65**	**12**	**12**	50	8	8
Total commercial	**76**	**14**	**14**	56	9	9
Private individuals - housing loans	**2**	**1**	**1**	-	-	-
Private individuals - others	**316**	**16**	**15**	347	14	14
Total credit to the public - activity in Israel	**394**	**31**	**30**	403	23	23

	Restructuring made and failed (1)			
	For the three months ended March 31			
	2023		2022	
			(unaudited)	
	Number of contracts	Balance of debt recorded	Number of contracts	Balance of debt recorded
Borrower activity in Israel				
Public - commercial				
Construction and real estate	**7**	**-**	9	1
Commercial - other	**16**	**1**	24	4
Total commercial	**23**	**1**	33	5
Private individuals - housing loans	**2**	**-**	4	1
Private individuals - others	**124**	**3**	132	4
Total credit to the public - activity in Israel	**149**	**4**	169	10

(1) Debts that became debts in arrears of 30 days or more during the reported period which were restructured as a problematic debt during the 12 months that preceded the date in which they became debts in arrears.

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

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

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

								March 31, 2022 (unaudited)
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	273	25	20	43	8	-	-	369
Residential loans	14	63	38	15	12	3	1	146
Private individuals - others	99	3	2	3	-	-	-	107
Total	386	91	60	61	20	3	1	622

								December 31, 2022 (audited)
	Not in arrears of 90 days or more	In arrears from 90 to 180 days	In arrears from 180 days to one year	In arrears from one to 3 years	In arrears from 3 to 5 years	In arrears from 5 to 7 years	In arrears for over 7 years	Total
Commercial	206	25	27	33	9	3	-	303
Residential loans	19	56	32	27	3	6	2	145
Private individuals - others	90	2	2	2	-	-	-	96
Total	315	83	61	62	12	9	2	544

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

(NIS million)

B. CREDIT TO THE PUBLIC (Cont'd)

3. Additional information regarding housing loans

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

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

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

	December 31, 2022 (audited)			
	Balance of housing loans			Total Off-balance sheet credit risk
	Total	Of which: bullet and balloon	OF which: floating interest rate	
First lien: financing rate - Up to 60%	23,831	207	14,122	1,313
Over 60%	11,198	64	6,789	922
Secondary lien or no lien	445	39	388	-
Total	35,474	310	21,299	2,235

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

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

(NIS million)

C. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

	Balance of contracts(1)			Balance of provision for credit losses		
	31.3.23	**31.3.22**	**31.12.22**	**31.3.23**	**31.3.22**	**31.12.22**
	(unaudited)	(unaudited)	(audited)	(unaudited)	(unaudited)	(audited)
Transactions the balance of which represents credit risk:						
Documentary credit	**280**	378	572	**1**	1	1
Guarantees securing credit	**1,154**	997	1,174	**10**	7	10
Guarantees to home purchasers	**4,456**	3,848	4,325	**7**	6	9
Guarantees and other liabilities	**5,031**	4,657	5,141	**53**	33	46
Unutilized credit lines for derivatives instruments	**2,827**	2,856	3,303	**-**	-	-
Unutilized revolving credit and other on-call credit facilities	**11,810**	11,175	11,672	**24**	38	22
Irrevocable commitments to grant credit, not yet executed	**5,528**	7,213	6,042	**17**	39	18
Unutilized credit lines for credit card facilities	**9,365**	8,886	9,396	**13**	8	9
Facilities for the lending of securities	**554**	440	595	**-**	-	-
Required guarantees and collateral in respect of the Stock Exchange and Maof Clearing Houses	**302**	310	220	**-**	-	-
Commitments to issue guarantees	**2,088**	1,445	1,387	**4**	2	2

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

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

NOTE 13 - ASSETS AND LIABILITIES ACCORDING TO LINKAGE BASES

(NIS million)

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

(1) Including linked to foreign currency.

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

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

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

(NIS million)

	March 31, 2022 (unaudited)						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	51,237	-	2,111	421	210	-	53,979
Securities	7,494	333	4,792	1,340	-	891	14,850
Securities which were borrowed	322	-	-	-	-	-	322
Credit to the public, net[3]	88,134	13,161	2,856	981	88	1,034	106,254
Credit to the government	93	739	11	-	-	-	843
Investee company	-	-	-	-	-	740	740
Premises and equipment	-	-	-	-	-	912	912
Intangible assets and goodwill	-	-	-	-	-	297	297
Assets in respect of derivative instruments	383	15	302	17	14	1,601	2,332
Other assets	845	3	16	2	-	618	1,484
Total assets	148,508	14,251	10,088	2,761	312	6,093	182,013
Liabilities							
Deposits from the public	121,814	6,692	19,809	3,506	1,183	1,034	154,038
Deposits from banks	5,109	-	1,089	124	182	-	6,504
Deposits from the Government	358	76	40	1	1	-	476
Bonds and subordinated capital notes	4	3,671	-	-	-	-	3,675
Liabilities in respect of derivative instruments	503	29	203	13	12	1,600	2,360
Other liabilities	4,226	70	52	29	2	293	4,672
Total liabilities	132,014	10,538	21,193	3,673	1,380	2,927	171,725
Difference	16,494	3,713	(11,105)	(912)	(1,068)	3,166	10,288
Non-hedging derivatives							
Derivative instruments (not including options)	(11,369)	(202)	9,719	786	1,066	-	-
Options in the money, net (in terms of underlying asset)	(821)	-	728	93	-	-	-
Options out of the money, net (in terms of underlying asset)	(494)	-	506	(10)	(2)	-	-
Total	3,810	3,511	(152)	(43)	(4)	3,166	10,288
Options in the money, net (present value of stated amount)	(1,352)	-	1,200	152	-	-	-
Options out of the money, net (present value of stated amount)	(1,572)	-	1,594	(17)	(5)	-	-

(1) Including linked to foreign currency.
(2) Including derivatives instruments which their underlying assets represent non-monetary item.
(3) After deduction of provisions for credit losses attributed to the linkage base.

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

(NIS million)

	December 31, 2022 (audited)						
	Israeli currency		Foreign currency(1)				
	Non-linked	Linked to the consumer price index	U.S. dollar	Euro	Other	Non-monetary items(2)	Total
Assets							
Cash and deposits with banks	53,993	-	2,178	488	471	-	57,130
Securities	6,806	1,193	6,178	1,388	-	445	16,010
Securities which were borrowed	12	-	-	-	-	-	12
Credit to the public, net(3)	95,804	14,095	3,955	1,298	89	720	115,961
Credit to the government	64	707	95	-	-	-	866
Investee company	-	-	-	-	-	687	687
Premises and equipment	-	-	-	-	-	902	902
Intangible assets and goodwill	-	-	-	-	-	317	317
Assets in respect of derivative instruments	256	13	954	246	53	1,303	2,825
Other assets	827	14	23	1	-	380	1,245
Total assets	157,762	16,022	13,383	3,421	613	4,754	195,955
Liabilities							
Deposits from the public	130,157	5,990	26,095	3,680	1,627	720	168,269
Deposits from banks	4,662	-	140	6	13	-	4,821
Deposits from the Government	206	-	28	2	1	-	237
Bonds and subordinated capital notes	4	4,745	-	-	-	-	4,749
Liabilities in respect of derivative instruments	264	26	597	87	46	1,302	2,322
Other liabilities	4,344	73	50	5	1	49	4,522
Total liabilities	139,637	10,834	26,910	3,780	1,688	2,071	184,920
Difference	18,125	5,188	(13,527)	(359)	(1,075)	2,683	11,035
Non-hedging derivatives							
Derivative instruments (not including options)	(14,333)	(189)	13,107	335	1,080	-	-
Options in the money, net (in terms of underlying asset)	(195)	-	187	8	-	-	-
Options out of the money, net (in terms of underlying asset)	(165)	-	164	3	(2)	-	-
Total	3,432	4,999	(69)	(13)	3	2,683	11,035
Options in the money, net (present value of stated amount)	(204)	-	178	26	-	-	-
Options out of the money, net (present value of stated amount)	(552)	-	616	(27)	(37)	-	-

(1) Including linked to foreign currency.
(2) Including derivatives instruments which their underlying assets represent non-monetary item.
(3) After deduction of provisions for credit losses attributed to the linkage base.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(NIS million)

	March 31, 2023 (unaudited)				
	Stated in the Balance Sheet	Fair value(1)			
		(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	**57,763**	**751**	**57,005**	**3**	**57,759**
Securities(2)	**19,756**	**8,521**	**10,904**	**150**	**19,575**
Securities which were borrowed	**45**	**-**	**45**	**-**	**45**
Credit to the public, net	**118,502**	**9,548**	**-**	**106,491**	**116,039**
Credit to the government	**935**	**-**	**232**	**682**	**914**
Assets in respect of derivative instruments	**4,047**	**2,354**	**816**	**877**	**4,047**
Other financial assets	**271**	**15**	**-**	**256**	**271**
Total financial assets	**(3)201,319**	**21,189**	**69,002**	**108,459**	**198,650**
Financial liabilities					
Deposits from the public	**173,390**	**7,245**	**118,076**	**44,571**	**169,892**
Deposits from Banks	**5,481**	**-**	**2,074**	**3,225**	**5,299**
Deposits from the Government	**828**	**37**	**765**	**26**	**828**
Bonds and non-convertible subordinated capital notes	**4,770**	**4,524**	**-**	**2**	**4,526**
Liabilities in respect of derivative instruments	**3,572**	**2,352**	**1,192**	**28**	**3,572**
Other financing liabilities	**3,203**	**21**	**-**	**3,157**	**3,178**
Total financial liabilities	**(3)191,244**	**14,179**	**122,107**	**51,009**	**187,295**
Off balance sheet financial instruments					
Transaction where the balance represents credit risk	**46**	**-**	**-**	**46**	**46**
In addition, the liability in respect of employee rights, gross - pension and severance pay(4)	**841**	**-**	**-**	**841**	**841**

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

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

(3) Of which: assets of NIS 29,804 million and liabilities of NIS 10,875 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

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

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(CONT'D)
(NIS million)

					March 31, 2022 (unaudited)
	Stated in the				Fair value[1]
	Balance Sheet	(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	53,979	643	53,334	2	53,979
Securities[2]	14,850	8,422	6,332	95	14,849
Securities which were borrowed	322	-	322	-	322
Credit to the public, net	106,254	6,754	1	98,458	105,213
Credit to the government	843	-	80	771	851
Assets in respect of derivative instruments	2,332	1,738	347	247	2,332
Other financial assets	506	261	-	245	506
Total financial assets	[3]179,086	17,818	60,416	99,818	178,052
Financial liabilities					
Deposits from the public	154,038	5,659	111,206	35,536	152,401
Deposits from Banks	6,504	-	2,299	4,081	6,380
Deposits from the Government	476	-	448	31	479
Bonds and non-convertible subordinated capital notes	3,675	3,712	-	63	3,775
Liabilities in respect of derivative instruments	2,360	1,754	577	29	2,360
Other financing liabilities	3,163	435	-	2,724	3,159
Total financial liabilities	[3]170,216	11,560	114,530	42,464	168,554
Off balance sheet financial instruments					
Transaction where the balance represents credit risk	43	-	-	43	43
In addition, the liability in respect of employee rights, gross - pension and severance pay[4]	907	-	-	907	907

* Reclassified.

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.

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

(3) Of which: assets of NIS 21,697 million and liabilities of NIS 8,454 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.

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

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(CONT'D)
(NIS million)

	December 31, 2022 (audited)				
	Stated in the Balance Sheet	Fair value[1]			
		(1)	(2)	(3)	Total
Financial assets					
Cash and deposits with banks	57,130	654	56,473	-	57,127
Securities[2]	16,010	7,984	7,705	143	15,832
Securities which were borrowed	12	-	12	-	12
Credit to the public, net	115,961	8,388	-	104,731	113,119
Credit to the government	866	-	157	683	840
Assets in respect of derivative instruments	2,825	1,358	825	642	2,825
Other financial assets	216	26	-	189	215
Total financial assets	[3]193,020	18,410	65,172	106,388	189,970
Financial liabilities					
Deposits from the public	168,269	6,484	117,313	41,047	164,844
Deposits from Banks	4,821	-	622	4,007	4,629
Deposits from the Government	237	-	206	32	238
Bonds and non-convertible subordinated capital notes	4,749	4,514	-	3	4,517
Liabilities in respect of derivative instruments	2,322	1,359	937	26	2,322
Other financing liabilities	2,949	26	-	2,901	2,927
Total financial liabilities	[3]183,347	12,383	119,078	48,016	179,477
Off balance sheet financial instruments					
Transaction were the balance represents credit risk	43	-	-	43	43
In addition, the liability in respect of employee rights, gross - pension and severance pay [4]	833	-	-	833	833

(1) Level 1 - fair value measurements using prices quoted in an active market.
Level 2 - fair value measurements using other significant observable data.
Level 3 - fair value measurements using significant unobservable data.
(2) For further details of the stated balance and the fair value of securities, see Note 5, "Securities".
(3) Of which: assets of NIS 23,907 million and liabilities of NIS 8,832 million, the stated balance of which is identical to their fair value (instruments reflected in the balance sheet at fair value). For further information regarding instruments measured at fair value on a recurring basis and on a non-recurring basis, see note 14B-14D.
(4) The liability in shown gross, without considering the plan assets managed against it.

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(CONT'D)

(NIS million)

A. FAIR VALUE OF FINANCIAL INSTRUMENTS.

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

NOTE 14A - BALANCES AND FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

(CONT'D)
(NIS million)

B. PRINCIPAL METHODS AND ASSUMPTIONS USED FOR THE CALCULATION OF THE FAIR VALUE ESTIMATES OF FINANCIAL INSTRUMENTS

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

Credit to the public - The fair value was estimated according to discounting the future cash flows in an appropriate discount rate. The balance was separated into homogenous categories. The receipts in each category were discounted at a discount rate which reflects the risk inherent in the category. In general, this discount rate is determined according to the interest at which the Bank transacts similar business at the reporting date.
The fair value of non-accruing debts is assessed using discount rates that reflect the high credit risk inherent in such debts. Anticipated future cash flows in respect of non-accruing debts and other debts have been assessed after deducting the effect of accounting write-offs and of provisions for credit losses in respect of the debts.
Accounting write-offs and provisions for credit losses are attributed, where possible, to periods in which these debts had been classified (example: where the provision was assessed on a specific basis, by the present value of future cash flows). In the absence of such data, accounting write-offs and provisions for credit losses are attributed proportionally to the outstanding balance of credit according to maturity periods at end of the period.
Cash flows in respect of mortgages have been assessed according to the premature repayment forecast, which is based on a statistical model.

Deposits and subordinate capital notes - fair value was estimated by discounting future cash flows according to interest rates used by the Group in raising similar deposits, or issuing similar capital notes (if a quoted price on an active market is not available) at reporting date. As regards bonds and subordinate debt notes that are traded as an asset on an active market, fair value is based upon quoted market prices or on traders' quotations regarding a similar liability traded as an asset on an active market.
Cashflows with respect to demand deposits (current accounts) were distributed based on statistical model for forecasting stable balances.
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 14B - ITEMS MEASURED AT FAIR VALUE

(NIS million)

A. ITEMS MEASURED AT FAIR VALUE ON A RECURRENT BASIS

	March 31, 2023 (unaudited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	**5,324**	**10,295**	**-**	**-**	**15,619**
Shares not for trading	**201**	**-**	**-**	**-**	**201**
Trading Securities	**374**	**-**	**-**	**-**	**374**
Assets in respect of derivative instruments	**2,354**	**816**	**877**	**-**	**4,047**
Others	**9,563**	**-**	**-**	**-**	**9,563**
Total assets	**17,816**	**11,111**	**877**	**-**	**29,804**
Liabilities					
Liabilities in respect of derivative instruments	**2,352**	**1,192**	**28**	**-**	**3,572**
Others	**7,303**	**-**	**-**	**-**	**7,303**
Total liabilities	**9,655**	**1,192**	**28**	**-**	**10,875**

	March 31, 2022 (unaudited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	5,256	6,104	-	-	11,360
Shares not for trading	709	-	-	-	709
Trading Securities	281	-	-	-	281
Assets in respect of derivative instruments	1,738	347	247	-	2,332
Others	7,015	-	-	-	7,015
Total assets	14,999	6,451	247	-	21,697
Liabilities					
Liabilities in respect of derivative instruments	1,754	577	29	-	2,360
Others	6,094	-	-	-	6,094
Total liabilities	7,848	577	29	-	8,454

	December 31, 2022 (audited)				
	Fair-value measurements using -				
	Prices quoted in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Effect of netting agreements	Balance sheet balance
Assets					
Bonds available for sale	4,864	7,537	-	-	12,401
Shares not for trading	240	-	-	-	240
Trading Securities	27	-	-	-	27
Assets in respect of derivative instruments	1,358	825	642	-	2,825
Others	8,414	-	-	-	8,414
Total assets	14,903	8,362	642	-	23,907
Liabilities					
Liabilities in respect of derivative instruments	1,359	937	26	-	2,322
Others	6,510	-	-	-	6,510
Total liabilities	7,869	937	26	-	8,832

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

(NIS million)

B. ITEMS MEASURED AT FAIR VALUE ON A NON-RECURRENT BASIS

	March 31, 2023 (unaudited)				
	Level 1	Level 2	Level 3	Total fair value	Total losses for the three months ended March 31, 2023
Investment in shares	**-**	**62**	**-**	**62**	**(1)**
Non-accruing credit the collection of which is contingent on collateral	**-**	**-**	**12**	**12**	**-**

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

	December 31, 2022 (audited)				
	Level 1	Level 2	Level 3	Total fair value	Total losses for the year ended December 31, 2022
Investment in shares	-	62	-	62	(9)
Non-accruing credit the collection of which is contingent on collateral	-	-	12	12	-

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

(NIS million)

	For the three months ended March 31, 2023 (unaudited)							
	Fair value as at December 31, 2022	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at March 31, 2023	Unrealized profits (losses) in respect of instruments held as at March 31, 2023
Assets								
Assets in respect of derivative instruments	**642**	**1,290**	**22**	**(1,077)**	**-**	**-**	**877**	**661**
Liabilities								
Liabilities in respect of derivative instruments	**26**	**(2)**	**-**	**-**	**-**	**-**	**28**	**(3)**

	For the three months ended March 31, 2022 (unaudited)							
	Fair value as at December 31, 2021	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at March 31, 2022	Unrealized profits (losses) in respect of instruments held as at March 31, 2022
Assets								
Assets in respect of derivative instruments	249	546	19	(567)	-	-	247	86
Liabilities								
Liabilities in respect of derivative instruments	18	(11)	-	-	-	-	29	(11)

	For the year ended December 31, 2022 (audited)							
	Fair value as at December 31, 2021	Profits (losses) realized and unrealized Included in the profit and loss statement (1)	Purchases	Payments	Transfers to level 3, gross	Transfer from level 3, gross	Fair value as at December 31, 2022	Unrealized profits (losses) in respect of instruments held as at December 31, 2022
Assets								
Assets in respect of derivative instruments	249	3,890	81	(3,578)	-	-	642	576
Liabilities								
Liabilities in respect of derivative instruments	18	(7)	-	1	-	-	26	(11)

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

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

	As of March 31, 2023 (unaudited)				
	Value Assessment technique	Unobservable inputs	Fair value	Average	Range
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	**8**	**1.05**	**(0.57)-4.75**
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	**21**	**1.25**	**1.20-1.55**
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	**5**	**(0.09)**	**(1.08)-0.29**
		2. Counter-party credit risk	**843**	**1.25**	**1.00-4.52**
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	Anticipated inflation curve	**23**	**1.20**	**(0.57)-4.75**
Foreign currency contracts	Discounted cash flow	CPI-linked interest	**5**	**(0.08)**	**(1.08)-0.29**
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		**12**		

	As of March 31, 2022 (unaudited)				
	Value Assessment technique	Unobservable inputs	Fair value	Average	Range
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI linked interest	5	(2.56)	(2.85)-(2.02)
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	13	1.67	1.20-1.75
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	10	(3.53)	(8.59)-(2.04)
		2. Counter-party credit risk	219	1.49	1.00-4.60
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	19	(1.84)	(2.85)-(1.17)
Foreign currency contracts	Discounted cash flow	CPI-linked interest	10	(3.53)	(8.59)-(2.04)
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		16		

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

	Value Assessment technique	Unobservable inputs	Fair value	Average	Range
			As of December 31, 2022 (audited)		
			(NIS million)		in %
A. Items measured at fair value on a recurrent basis					
Assets					
Assets in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI linked interest	7	0.71	0.47-1.08
Interest rate contract: other	Discounted cash flow	Counter-party credit risk	22	1.41	1.20-1.55
Foreign currency contracts	Discounted cash flow	1. CPI-linked interest	5	0.06	(0.14)-0.23
		2. Counter-party credit risk	608	1.29	1.00-4.52
Liabilities					
Liabilities in respect of derivative instruments:					
Interest rate contract: NIS-CPI	Discounted cash flow	CPI-linked interest	21	0.86	0.47-1.09
Foreign currency contracts	Discounted cash flow	CPI-linked interest	5	0.06	(0.14)-0.23
B. Items measured at fair value on a non-recurrent basis					
Impaired credit the collection of which is contingent on collateral	Collateral value		12		

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

- Interest linked to the CPI - A change in the forecasted inflation rate would affect the fair value of CPI linked transactions, such that a rise (decline) in the inflationary forecast would lead to an increase (decrease) in fair value in accordance with the CPI linkage position of the Bank.
- Credit risk of a counterparty - A change in the credit risk of a counterparty to a transaction, such that in as much as the credit risk of a counterparty to a transaction would be higher/lower, the value of the transaction would also be higher/lower.

NOTE 15 - UPDATE REGARDING COLLECTIVE LABOR AGREEMENTS

The Bank is a party to collective labor agreements, which include the linkage of certain employment terms relating to a part of the Bank's employees, to labor agreements signed by the Management of Bank Leumi Le'Israel BM (hereinafter – "BLL") and the organization of BLL employees.

On April 16, 2023, BLL announced that it had signed a collective labor agreement with the organization of BLL employees, for the years 2023-2026.

Management of the Bank and representatives of the employees are holding negotiations regarding the implementation of the agreement at the Bank.

The Bank estimates that no material effect on the financial results of the Bank is expected. An allowance, based on Management's assessment, was recognized in the reported quarter in respect of the implementation of the said agreement.

CORPORATE GOVERNANCE, ADDITIONAL INFORMATION AND APPENDIX

LIST OF TABLES

CORPORATE GOVERNANCE

DISCLOSURE OF THE INTERNAL AUDITOR

Details regarding the Internal Auditor of the Bank (which also serves as the Internal Auditor in Massad Bank), including the working plan of the internal auditor department, conduct of the audit and the internal audit reports, were published in the annual financial statements for 2022.

The report of the internal audit for the year 2022 was discussed in the audit committee of the Bank on March 28, 2023.

MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

During January-March 2023, the Bank's Board of Directors held 5 meetings in plenary session and 16 meetings of its various Board Committees.

TRANSACTIONS WITH INTERESTED PARTIES

a. Amendments to the Securities Regulations (Periodic and immediate reports), 1970 - Reporting of transactions with controling interests

No changes occurred during the reported period in the rules regarding the reporting of transactions with controlling interests, as detailed in the Chapter on corporate governance, transactions with interested parties, contained in the financial statements for the year 2018.

b. Determination of criteria regarding transactions of the Bank with interested parties

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

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

For details of transactions, see Chapter "Corporate Governance", interested party transactions, in the financial statements for 2022.

d. Additional information regarding transactions with interested parties that have undergone changes in the reported period

Set out below is a collation of data concerning banking transactions that were conducted by the Bank and companies under its control with the controlling owners at the Bank (including their relatives and companies in which controlling owners at the Bank are interested parties), including data concerning transactions conforming to the criteria that were determined with respect to negligible transactions, as detailed in the Chapter Corporate Governance, transactions with interested parties, contained in the financial statements for the year 2018 (NIS thousand):

Indebtedness	Credit	Investment in bonds	Fair value of derivatives	Total balance-sheet monetary indebtedness	Unutilized credit balance	Guarantees granted by Bank for securing credit to a controlling owner or to a party related thereto	Guarantees granted to Bank by controlling owner in favor of third party	Indebtedness of controlling owner in respect of transactions in derivatives	Total
									NIS thousand
Indebtedness of others[1]									
March 31, 2023	**191**	**-**	**-**	**191**	**417**	**-**	**-**	**-**	**608**
December 31, 2022	151	-	-	151	509	-	-	-	660

Deposits	March 31, 2023		December 31, 2022	
	Balance on balance-sheet date	Highest balance during period[2]	Balance on balance-sheet date	Highest balance during period[2]
		NIS thousand		NIS thousand
Deposits of others[1]	**4,606**	**5,111**	2,238	7,285

(1) Relatives of controlling shareholders of the Bank. As the term relative is defined in the Banking Law (licensing)-1981.

(2) On the basis of balances at the end of each month.

DETAILS OF THE OWNERS OF CONTROL IN THE BANK

FIBI Holdings Ltd. (hereinafter - "FIBI"), a public company the shares of which are traded on the Stock Exchange, holds 48.34% of the issued share capital and voting rights in the Bank (a rate comprising the core of control according to the control permit issued by Bank of Israel). The holders of control of FIBI are Mr. Zadik Bino and his children - Gill Bino, Hadar Bino-Shmueli and Daphna Bino-Or (hereinafter - "the Bino family"), Messrs. Michael and Helen Abeles, and Messrs. Barry Lieberman, Casy Lieberman-Harris, Lee Lieberman and Joshua Lieberman (each of the groups by way of corporations under their full control: Binohon Ltd., Instanz No.2 Ltd. and Dolphin Energies Ltd.). For details regarding the different arrangements existing among the control holders with respect to their holdings in FIBI, and indirectly in the Bank, and with respect to the terms of the control permit dated September 19, 2003, that had been granted to the control holders by Bank of Israel, as amended from time to time, see "Details regarding the owners of control in the Bank" in the Chapter "Corporate Governance" in the financial statements for 2019.

In accordance with the reports of FIBI, as of date of publication of the financial statements, the holdings of the controlling shareholders in FIBI (in equity and voting) are as follows: Binohon Ltd. - 28.54%, Instanz No. 2 Ltd. - 11.68%, and Dolphin Energies Ltd. - 11.38% (the holdings of all the controlling shareholders of FIBI comprise its core of control, in accordance with the control permit issued by Bank of Israel).

ADDITIONAL INFORMATION

LEGISLATION AND REGULATORY INITIATIVES

Following are summarized details of the provisions of laws and regulatory initiatives, which were published and/or entered into effect during the reported period, and which materially affect or might affect the operations of the Bank. The Bank is studying the overall significance of the said provisions and initiatives regarding the income and expenses of the Bank, as well as the long-term business and operating implications.
A part of the initiatives may have an adverse effect on the income of the Bank and/or its expenses. This effect cannot be quantified at this stage, due to dependence of different factors, including customer behavior, competitors' activity and additional regulatory changes, regarding legislation not yet finalized, it is also not possible to assess whether it would in fact be enacted and what would be its final content.
Nothing in the contents of this Chapter derogates from that stated in other Chapters and Sections of this Report, where there exists additional reference to provisions of the law and to regulatory initiatives as described below or to other.

BANKING

Proper Conduct of Banking Business Directive No. 501 - Management of the customer service and support layout

The Directive was published on March 26, 2023, as part of a planned across-the-board layout of Bank of Israel, the purpose of which is to determine principles and standards for proper and fair conduct of Banks as regards their customers. The Directive establishes principles for providing service and support for customers of the banking system in the different service channels, and states commitments in the field of corporate governance and work procedures, including formation of strategy, policy, work plan and procedures, allocation of resources and development of supervision and control mechanisms, which would ensure promoting compliance by a bank with the said principles. Furthermore, banking corporations are required to act in a systematic, persistent and continuous manner in order to improve compliance with the principles, while applying judgment and determining preferences in accordance with materiality to the customer. Among the main principles established in the Directive may be mentioned, inter alia, the maintenance of an optimal service and support layout that would provide an appropriate response in a variety of service channels, both on a current basis and in urgent cases; maintenance of useful communication providing information and simple and clear explanations at an appropriate timing; avoiding service obstructions, damage or misstatements, difficulties or the charging of excessive costs; availability and quality all through the period of engagement with the customer; providing service and support adjusted to customer needs and providing response to the different needs of the different customer groups, and providing appropriate and qualitative service on the various channels. A banking corporation is also required to determine a service charter and publish details regarding the customer service and support layout. The Directive will take effect at the end of one year after publication date, except for certain requirements relating to the publication of the service charter and details regarding the service and support layout, in respect of which different effective dates have been fixed.

Proper Conduct of Banking Business Directive No. 422 - Opening of a credit balance current account and management of an account

In view of the importance and need for basic banking services for all population groups, an update of the Directive was published on March 26, 2023. Within the framework of the update, inter alia, the duty of offering basic services in respect of conducting a current account in Israeli currency has been expanded also to an account having a debit balance that does not exceed the approved credit line; application of the Directive has also been expanded to a foreign worker legally residing in Israel; to basic means of payment that a bank is required to offer its customers, and in the absence of reasons for reasonable refusal, are added also a charge card that is a bank card for immediate charging or a bank card for cash withdrawals which allows transactions of a limited amount for a period; also expanded are transactions that can be effected by means of online banking channels; it has been clarified that no argument of "reasonable refusal" would be admitted regarding the opening of a credit balance current account and regarding the management of an account by means of basic payment services, due only to the belonging of the customer to a particular group of population, this without derogating from the right of a bank to determine limitations and controls required according to the circumstances of the matter; a duty has been added requiring a bank to deliver to the customer in writing the decision regarding refusal to provide the services stated in the Directive, as well as the reasons therefore, subject to any legislation, within ten business days from date of application; also added to the duty of notifying the discontinuation of a service stated in the Directive, is the duty to state the reasons therefore. The Directive will take effect at the end of one year after publication date.

The Economic Program Bill (Legislation amendments for the implementation of the economic policy for the budget years 2023 and 2024), 2023

Within the framework of the Bill, which was published on March 23, 2023, with a view of increasing consumer transparency and awareness of customers, it is proposed, inter alia, to oblige banks to deliver to each customer, at the beginning of every calendar month, a notice detailing the total amount of commissions and interest charged to the customer in the month preceding the date of the notice. The notice is to be delivered via the channel allowing immediate and accessible communication in an optimal manner as chosen by the customer for receipt of notices from the Bank. It is further proposed that the manner of calculations of the charges under the full pricelist and under the condensed pricelists should not include a minimal amount or rate.

The draft Banking Order (Customer service) (Supervision over basic track, extended track, extended plus track services, direct channel transaction and bank teller transaction), 2022, and draft amendment of Banking Rules (Customer service) (Commissions), 2008

In accordance with the above drafts, published on December 5, 2022, the principal proposed changes are as follows:

- Updating of the method of charging current account commissions and requiring banks to compute for individual customers and for small businesses the cheapest monthly payment method best for them, according to the number of current account transactions (both direct channel and teller assisted transactions) made by them in a particular month, the payment to be charged to them would be in accordance therewith.
- Enlarging the group of small businesses to which the cheaper pricelist would apply, from a corporation with an up to NIS 5 million business turnover to a corporation with a business turnover of up to NIS 10 million, and changing the default option by attachment of a small business to the cheaper pricelist, so that all these corporations would be considered as small businesses, with the bank being permitted to request an annual report in cases where it has reasonable ground to assume that the business turnover of the corporation exceeds NIS 10 million.
- Update of the extended plus track designed for customers conducting extensive banking activity, who are interested in a track that provides them with added value, exceeding the basic services offered by a direct channel transaction and by a teller assisted transaction. This track would be enlarged so that the number of a teller assisted transactions and the direct channel transactions contained therein would not be limited. (At the present time, this track is not being offered by the Bank).

The proposed effective date of the Order is six months since date of publication.

Proper Conduct of Banking Business Directive No. 420 - Delivery of notices through communication channels

In accordance with an update of the Directive, published on June 6, 2021, intended to improve service to customers and reduce costs, it has been, inter alia, determined that a banking corporation has to choose the most suitable communication channel for delivering particular notices to customers who had joined the service of receiving notices by means of communication channels, in accordance with the level of materiality of the information and the speed required for its delivery. For this purpose, a banking corporation has to examine the needs of the customer in accordance with circumstances and take into consideration aspects of privacy protection, and among other things, examine whether a need exists to enable the customer to receive the information immediately and in an accessible manner, and whether the customer needs to monitor, save and print the notice. Moreover, a closed list of notices has been determined, which a bank is required to deliver to the customer both by means of a communication channel, allowing the customer the monitoring, safekeeping and printing of the notice, and by means of a communication channel enabling the immediate delivery of the notice in an accessible manner, such as SMS notices. Following an amendment dated June 13, 2022, the update entered into effect on January 1, 2023.

Proper Conduct of Banking Business Directive No. 362 - cloud computing

On background of development and upgrading of the cloud computing technology, an amendment to the Directive was published on June 13, 2022. Among other things, the amendment defined "cloud computing" and "material cloud computing", removed the prohibition on usage of cloud computing services for core operations and/or core systems, stated that cloud computing is a private matter of outsourcing and, accordingly, added singular duties for the board of directors and senior management with respect to the use of cloud computing services, which are not included in Proper Conduct of Banking Business Directive No. 359A, including the duty of the board of directors to approve a policy and a multi-annual program for the use of cloud computing services, and the duty to define a function subject to the head of the information technology division, who would have an in-depth knowledge of the risks involved in the use of cloud computing services and of the technological services provided by all suppliers of cloud computing services, with whom a banking corporation is engaged. Further new requirements were added within the framework of risk assessment by a banking corporation, such as the duty to perform a risk survey regarding a material cloud computing, additional requirements and instructions regarding engagement with suppliers of material cloud computing services, regarding confrontation with cyber events in cloud computing services, including performance of cyber exercises, and with respect to the management of business continuity. The Directive took effect on January 1, 2023, however, a banking corporation was allowed to apply the Directive in its entirety, before the effective date. Also stated are transitional instructions regarding agreements with suppliers of cloud computing services that had been signed prior to the date of publication of the Directive, as well as regarding such agreements signed after date of publication of the Directive and up to the said effective date.

CAPITAL MARKET

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

The Directive, which was published on December 23, 2021, and updated on June 13, 2022, determines a uniform format for the presentation to the customer of data regarding his securities deposit with a banking corporation, with a view of improving the ability of the customer to take an educated decision as to the investment track best for him in relation to other investment options.

The Directive includes, inter alia, details of the types of information and data, which the banking corporation has to present, including the rate of return, and where the customer obtains from the bank investment advisory services, it is required to present, inter alia, also the measure of exposure of his securities deposit. The Directive states also the dates and format in which the information would be presented.

The Directive took effect on January 1, 2023.

OPEN BANKING

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

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

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

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

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

On January 23, 2023, Bank of Israel published an Amendment to the Directive, which includes, inter alia, amendments allowing the delivery of information regarding securities held in the customer's securities deposit, as part of the implementation of the next stage in open banking.

Financial Information Service Act, 2021

The Act, which was published on November 18, 2021, creates comprehensive and uniform regulation of the financial information service activity. In accordance with the Act, the providing of this service requires a license or approval by the Regulator relevant to the provider of the service (the Supervisor of Banks in the case of a bank, settling agent and an auxiliary corporation). It is further stated that the provider of the service may not engage in cost comparison services or in brokerage, as defined by law, with respect to financial products and services, which it (or parties related to it) provides to its customers. The Act includes provisions regarding the activity and duties of the entities providing the financial information services and the "sources of information" (which include, in accordance with the Act, banks, settlement agents, auxiliary corporations, institutional bodies [provident funds and insurance companies], the holder of a license for the provision of deposit and credit services, the holder of a license to provide credit and the holder of a license to operate a credit brokerage system), including in the matter of privacy protection, the use of information, its protection and obtaining consent for making use thereof, collection of consideration, avoidance of conflict of interests and consumer instructions. The Act states gradual implementation dates for sources of information and different types of information. The latest effective date determined with respect to all types of information required from information sources being banks or auxiliary corporations is December 14, 2023. In accordance with the draft Financial Information Order (Deferral of the effective date of the Act in respect of an information source being a bank, an auxiliary corporation or a settlement agent, as regards a basket of securities and accounts of large corporations), 2023, published on April 27, 2023, it is proposed to defer the entry into effect of the securities basket to October 15, 2023, and the entry into effect of the duty of accessibility of information regarding accounts of large corporations to April 14, 2024.

LEGAL PROCEEDINGS

See Note 9 to the condensed financial statements as to 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 August 8, 2022, Midrug ratified the evaluation of the Bank's internal financial stability at the rank of aa2.il, the Bank's short-term deposits at the rank of P-1.il, the Bank's long-term deposits and the senior debt at the rank of Aaa.il/stable outlook and its subordinate debt notes with a loss absorption mechanism at Aa3.il (hyb)/stable outlook rating.
- On November 8, 2022, the international rating agency Moody's ratified the rating of long-term deposits with the Bank in foreign currency and in Israeli currency at A2, the short-term deposits with the Bank at Prime-1, and the rating outlook at "stable".
- On January 10, 2023 S&P Ma'alot ratified the issuer rating of the Bank at ilAAA\Stable outlook and its subordinate debt notes with a loss absorption mechanism at ilAA-.

EMPLOYEE COMPENSATION POLICY

For disclosure regarding the employee compensation policy, see the 2022 Risk Report on the Internet site of the Bank.

INVOLVEMENT AND CONTRIBUTION TO THE COMMUNITY

The Bank attributes great importance to the promotion of social values and contribution to the community alongside its business activity. Therefore, the Bank acts within the framework of the flag plan "Believing-in-you", the aim of which is to establish long-term involvement and cooperation in society, inter alia, by means of voluntary activity of its employees and cooperation with factors, organizations and associations assisting the community. Employees of the Bank take part in such projects and contribute their time, experience and skills, in aid of different populations and sectors.

Defense forces

"Warm Home" - the Bank is active in favor of the defense forces, with a focus on providing response to the needs of solitary soldiers serving in fighting units of the IDF. In conjunction with the "Together in favor of the Soldier", the Bank has put at the disposal of soldiers 30 apartments all over the country, equipped at a high level, serving soldiers in leading a comfortable and embracing daily routine, providing the feeling of a warm home. Each such apartment has an adopting branch of the Bank, employees of which escort the soldiers using the apartment and maintain current relations with them, being attentive and providing response to their needs in their daily life.

"Leading to Success" - The Bank attributes great importance to the issue of reduction of gaps in the population and providing opportunities for the integration of disadvantaged soldiers and veterans in the community. The Bank has formed a scholarship plan to finance academic studies at the Open University, intended for such students, with a view of providing them with a key for economic independence, allowing a change of life and increasing their earning ability, thus leading them to optimal integration in society.

"Adopt a warrior" - Within the framework of the project "Adopt a warrior", the Bank adopts two combat units. As part of this adoption, the Bank participates in events of the units and supports the well-being of the soldiers all through their service period.

"Special in uniform" - During the year, the Bank joined the "Special in Uniform" program, engaged in integrating handicapped youth in military framework, enabling them to join-up and serve "just like all others". The program comprises a jumping board for their integration in the work place and in Israeli society in all areas of activity. Within the framework of the program, the Bank adopts two units, each of them having an adopting branch of the Bank, which accompanies the unit during the period of service.

"Now it's me" - The Bank, jointly with the IDF Disabled Organization, has contributed to the formation of a designated personal training and growth program for IDF female casualties/disabled, interested in a process of development and self-fulfillment, struggling with the injury and participating in an embracing female community. Within the framework of the program, female employees of the Bank are involved in the mentoring process and enrich the participants with respect to financial contents.

In addition, the Bank is a party to the promotion of culture among IDF service personnel. In participation with the Lior Foundation, the Bank has made a contribution which enables the meeting of military service personnel with authors all over the country, and concurrently contributes to "Sunday Culture Days" for the welfare of the servicemen and women.

Cooperation for the advancement of the Ultra-Orthodox sector

"Leadership in Hi-Tech" - program engaged in the advancement of diversifying processes and inclusion of applications intended for the optimal integration of Ultra-Orthodox women in qualitative and advancing employment in the technology world. The program operates nationwide in Ultra- Orthodox communities and supports training courses for the integration in the new labor world, including preparation for development in the technological world, delivery of presentations, delivery of messages, exercise practices and constant improvement of the English language, and more. Employees of the Bank take part in the classification, training and mentoring processes.

Employees of the Bank participate in different voluntary activities, such as cooking meals for lone service personnel and involvement in the teaching of basics in the financial field intended for youth in risk situation. At the same time, the Bank cooperates with Bank of Israel, the Union of Banks and the banking system, regarding financial education to other diversified populations.

Volunteering employees

Bank employees participate in different volunteering activities within the framework of programs promoted by the Bank, and this in parallel to additional volunteering initiatives, such as: cooking meals for lone servicemen and financial education to primary school children.

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

A. AVERAGE BALANCES AND INTEREST RATES - ASSETS

	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
	Average balance[1]	**Interest income**	**Rate of income**	**Average balance**[1]	**Interest income**	**Rate of income**
		NIS million	%		NIS million	%
Assets bearing interest						
Credit to the public[2][5]						
- In Israel	**106,878**	**1,596**	**5.97**	94,448	828	3.51
Total	**106,878**	**1,596**	**5.97**	94,448	828	3.51
Credit to the Government						
- In Israel	**843**	**6**	**2.85**	801	7	3.50
Total	**843**	**6**	**2.85**	801	7	3.50
Deposits with banks						
- In Israel	**2,702**	**20**	**2.96**	3,437	-	-
Total	**2,702**	**20**	**2.96**	3,437	-	-
Deposits with The Bank of Israel						
- In Israel	**43,459**	**420**	**3.87**	44,912	11	0.10
Total	**43,459**	**420**	**3.87**	44,912	11	0.10
Securities borrowed or repurchased						
- In Israel	**38**	**-**	**-**	574	-	-
Total	**38**	**-**	**-**	574	-	-
Held to maturity or available for sale bonds[3]						
- In Israel	**16,826**	**131**	**3.11**	13,565	24	0.71
Total	**16,826**	**131**	**3.11**	13,565	24	0.71
Trading bonds						
- In Israel	**200**	**3**	**6.00**	260	1	1.54
Total	**200**	**3**	**6.00**	260	1	1.54
Total assets bearing interest	**170,946**	**2,176**	**5.09**	157,997	871	2.20
Debtors regarding credit cards non-bearing interest	**3,199**			2,999		
Other assets non-bearing interest[4]	**22,536**			20,515		
Total assets	**196,681**			181,511		

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

B. AVERAGE BALANCES AND INTEREST RATES - LIABILITIES AND CAPITAL

	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
	Average balance [(1)]	Interest expense	Rate of expense	Average balance [(1)]	Interest expense	Rate of expense
		NIS million	%		NIS million	%
Liabilities bearing interest						
Deposits from the public						
- In Israel						
Demand	**20,920**	**124**	**2.37**	31,058	1	0.01
Fixed-term	**84,402**	**704**	**3.34**	47,252	83	0.70
Total	**105,322**	**828**	**3.14**	78,310	84	0.43
Deposits from the Government						
- In Israel	**222**	**2**	**3.60**	167	-	-
Total	**222**	**2**	**3.60**	167	-	-
Deposits from banks						
- In Israel	**900**	**7**	**3.11**	865	-	-
Total	**900**	**7**	**3.11**	865	-	-
Deposits with Bank of Israel						
- In Israel	**4,197**	**1**	**0.10**	4,195	1	0.10
Total	**4,197**	**1**	**0.10**	4,195	1	0.10
Bonds and subordinated capital notes						
- In Israel	**4,758**	**63**	**5.30**	3,356	42	5.01
Total	**4,758**	**63**	**5.30**	3,356	42	5.01
Other liabilities						
- In Israel	**17**	**-**	**-**	270	-	-
Total	**17**	**-**	**-**	270	-	-
Total liabilities bearing interest	**115,416**	**901**	**3.12**	87,163	127	0.58
Deposits from the public non-bearing interest	**60,727**			76,077		
Creditors in respect of credit cards non-bearing interest	**1,719**			1,401		
Other liabilities non-bearing interest [(6)]	**7,260**			6,486		
Total liabilities	**185,122**			171,127		
Total capital resources	**11,559**			10,384		
Total liabilities and capital resources	**196,681**			181,511		
Interest spread			**1.97**			1.62
Net return on assets bearing interest [(7)]						
- In Israel	**170,946**	**1,275**	**2.98**	157,997	744	1.88
Total	**170,946**	**1,275**	**2.98**	157,997	744	1.88

APPENDIX 1 - RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

C. AVERAGE BALANCES AND INCOME RATES - ADDITIONAL INFORMATION ON INTEREST BEARING ASSETS AND LIABILITIES ATTRIBUTED TO ACTIVITY IN ISRAEL

	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
	Average balance(1)	Income (expense) interest	Income (expense) ratio	Average balance (1)	Income (expense) interest	Income (expense) ratio
		NIS million	%		NIS million	%
Non-linked Israeli currency						
Total assets bearing interest	**141,625**	**1,780**	**5.03**	134,188	630	1.88
Total liabilities bearing interest	**89,758**	**(611)**	**(2.72)**	69,516	(25)	(0.15)
Interest spread			**2.31**			1.73
Israeli currency linked to the CPI						
Total assets bearing interest	**14,180**	**230**	**6.49**	11,530	211	7.32
Total liabilities bearing interest	**8,548**	**(109)**	**(5.10)**	7,563	(97)	(5.13)
Interest spread			**1.39**			2.19
Foreign currency (including linked to f-c)						
Total assets bearing interest	**15,141**	**166**	**4.38**	12,279	30	0.98
Total liabilities bearing interest	**17,110**	**(181)**	**(4.23)**	10,084	(5)	(0.20)
Interest spread			**0.15**			0.78
Total activity in Israel						
Total assets bearing interest	**170,946**	**2,176**	**5.09**	157,997	871	2.20
Total liabilities bearing interest	**115,416**	**(901)**	**(3.12)**	87,163	(127)	(0.58)
Interest spread			**1.97**			1.62

APPENDIX 1 -
RATES OF INTEREST INCOME AND EXPENSES AND ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES (CONT'D)

D. ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSES

	For the three months ended March 31, 2023 compared with the same period last year		
	Increase (decrease) due to the change		
	Quantity	Price	Net change
			NIS million
Interest bearing assets			
Credit to the public			
In Israel	**186**	**582**	**768**
Total	**186**	**582**	**768**
Other interest-bearing assets			
In Israel	**5**	**532**	**537**
Total	**5**	**532**	**537**
Total interest income	**191**	**1,114**	**1,305**
Interest bearing liabilities			
Deposits from the public			
In Israel			
Demand	**(60)**	**183**	**123**
Fixed-term	**310**	**311**	**621**
Total	**250**	**494**	**744**
Other interest-bearing liabilities			
In Israel	**9**	**21**	**30**
Total	**9**	**21**	**30**
Total interest expenses	**259**	**515**	**774**
Total interest income less interest expenses	**(68)**	**599**	**531**

(1) On the basis of monthly opening balances, excluding the non-linked Shekel segment in which calculated on daily balances.
(2) Before deduction of the average balance of provisions for credit losses including debts which are non-accruing interest income.
(3) To the average balance of available for sale bonds was added the average balance of unrealized gains from adjustments to fair value of bonds, included in other comprehensive profit in the item "adjustments to fair value of available for sale securities" for the three months ended on March 31, 2023 in the amount of NIS 365 million (for the three months ended March 31, 2023 balance of NIS 19 million was deducted).
(4) Including derivative instruments, other non-bearing interest assets and after deduction of provision for credit losses.
(5) Fees in the amount of NIS 49 million and NIS 57 million were included in interest income for the three months ended March 31, 2023 and March 31, 2022, respectively.
(6) Including derivative instruments.
(7) Net return- net interest income to total interest-bearing assets, in annual terms.
(8) Change attributed to quantity was calculated by multiplying the price in the reported period by the change in the quantity in the compared periods.
Change attributed to price was calculated by multiplying the quantity in the previous period by the change in the price in the compared periods.