CONDENSED CONSOLIDATED FINANCIAL REPORTS
AS OF 31.03.2022

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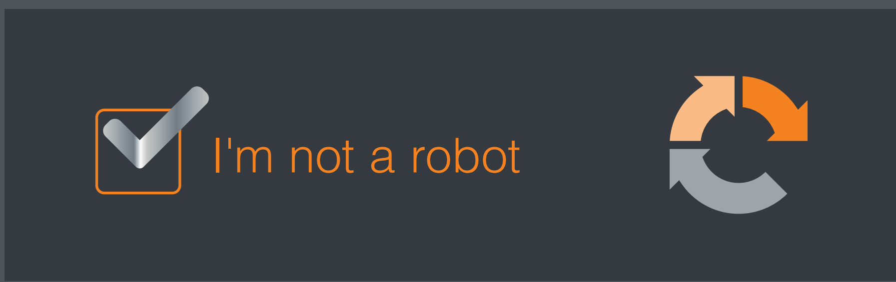
מזרחי טפחות
MIZRAHI TEFAHOT



Advanced Banking Between People

This report does not constitute a Periodic Report pursuant to the Securities Regulations (Periodic and Immediate Reports), 1970. The Israel Securities Authority's MAGNA website also includes the following reports: The periodic report and the financial statements in XBRL format, the actuarial assessment regarding employee rights at the Bank, a detailed risk management report and additional supervisory information regarding supervisory capital instruments issued by the Bank. In conformity with the Supervisor of Banks' directives, these financial statements, including XBRL format, the Bank's "solo" financial statements, a detailed risk management report and additional supervisory information, as stated, are also available on the Bank website at www.mizrahi-tefahot.co.il/en ▶ financial reports. In accordance with the Equal Rights for Persons with Disabilities (Service Accessibility Adjustments) Regulations, 2013, the website also includes accessible reports.

Bank Mizrahi Tefahot

Condensed quarterly financial statements
As of March 31, 2022

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Bank Mizrahi Tefahot

Report of the Board of Directors and Management

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Condensed Report of the Board of Directors and Management for financial statements as of March 31, 2022

Introduction

The Board of Directors of Mizrahi Tefahot Bank Ltd., at its meeting held on May 24, 2022, resolved to approve and publish the Report of the Board of Directors and Management, the Risks Report and Other Supervisory Disclosures and the condensed consolidated financial statements of Mizrahi Tefahot Bank Ltd. and its subsidiaries as of March 31, 2022.

The Report of the Board of Directors and Management, the Risks Report and Other Supervisory Disclosures of the Bank are prepared in conformity with directives and guidelines of the Supervisor of Banks.

The condensed financial statements are prepared in conformity with generally accepted accounting policies in Israel (Israeli GAAP) and in accordance with Public Reporting Directives of the Supervisor of Banks.

For most topics, the Supervisor of Banks' directives are based on generally acceptable accounting practices by banks in the United States (see also Note 1 to the financial statements as of December 31, 2021 and Note 1 to these condensed financial statements).

Pursuant to the report structure stipulated by the Supervisor of Banks, additional information to the financial statements is provided on the Bank website:

<< www.mizrahi-tefahot.co.il About the Bank << Investor Relations << Financial Information

This additional information of which:

- Detailed Risks Report in conformity with disclosure requirements of Basel Pillar 3 and in conformity with additional recommendations by the Financial Stability Board (FSB).
- Details of capital instruments issued by the Bank.
- Financial statements in XBRL file.

In conformity with the Equal Rights for Persons with Disabilities Regulations (Service accessibility adaptations), 2013, the website also provides accessible reports.

Forward-looking information

Some of the information in the Report of the Board of Directors and Management, which does not relate to historical facts, constitutes “forward-looking information”, as defined in the Securities Law, 1968 (hereinafter: "the Law").

Actual Bank results may materially differ from those included in the forward-looking information, due to many factors including, *inter alia*, due to changes to capital markets in Israel and overseas, macro-economic changes, geo-political changes, changes to legislation and regulation and other changes not within the Bank's control, which may result in assessments not materializing and/or in changes to business plans.

Forward-looking information typically includes words or expressions such as: "we believe", "expected", "forecasted", "estimate", "intend", "plan", "may change" and similar expressions, as well as nouns such as: "plan", "objectives", "desire", "should", "may", "will be". Such forward-looking expressions involve risk and uncertainty, as they are based on current Bank assessments with regard to future events, which include the following: Forecasts of economic developments in Israel and worldwide, especially the state of the economy, including the effect of macroeconomic and geopolitical conditions; expectation of changes and developments in the currency markets and the capital markets, forecasts related to other factors affecting the exposure to financial risks, forecasts of changes in the financial strength of borrowers, the public’s preferences, changes to legislation and supervisory regulations, the behavior of competitors, the Bank’s image, technological developments and human resources developments.

The information presented below relies, inter alia, on publications from the Central Bureau of Statistics, Ministry of Finance, Bank of Israel and others who publish data and estimates with regard to capital markets in Israel and overseas, and on forecasts and future estimates on various matters, as noted above, and any anticipated events or developments may fail to materialize, in whole or in part.

Overview, objectives and strategy

This chapter describes major developments in the Bank and its operating segments in the first quarter of 2022, in performance, risk to which the Bank is exposed as well as targets and strategy. This chapter should be read, as needed, in conjunction with the chapter "Overview, targets and strategy" in the 2021 audited annual financial statements.

Condensed financial information and key performance indicators for the Bank Group

	2022	2021				2021
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Annual
	NIS in millions					
Statement of profit and loss – key items						
Interest revenues, net	2,144	1,958	2,001	2,035	1,691	7,685
Non-interest financing revenues	117	83	63	66	189	401
Commissions and other revenues	952	596	551	544	543	2,234
Total revenues	**3,213**	**2,637**	**2,615**	**2,645**	**2,423**	**10,320**
Expenses with respect to credit losses	79	(15)	(36)	(240)	13	(278)
Operating and other expenses	1,388	1,555	1,339	1,333	1,341	5,568
Of which: Payroll and associated expenses	909	960	863	843	870	3,536
Pre-tax profit	1,746	1,097	1,312	1,552	1,069	5,030
Provision for taxes on profit	569	390	442	540	358	1,730
Net profit(1)	**1,154**	**679**	**845**	**988**	**676**	**3,188**

Group net profit in the first quarter of 2022 amounted to NIS 1,154 million, compared to NIS 676 million in the corresponding period last year – an increase by 70.7%. This reflects a 21.9% annualized return on equity, compared to 14.1% in the corresponding period last year and 15.8% for all of 2021. Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first quarter of 2022 is 16.6%.

The following major factors affected Group operating profit in the first quarter of 2022 over the corresponding period last year:

- Interest revenues, net in the first quarter of 2022 increased by 26.8% compared to the corresponding period last year, primarily due to increase in operations and to effect of the Consumer Price Index.

  For more information see "Analysis of development of financing revenues from current operations" below.
- Other revenues in the first quarter of 2022 include capital gain amounting to NIS 371 million. For more information see chapter "Significant Events in the Bank Group's Business" below.
- Expenses with respect to credit losses in the first quarter of 2022 amounted to NIS 79 million, primarily due to adjustment of the group-based provision due to growth of the Bank's business loan portfolio and residential mortgage portfolio.
- Total operating and other expenses increased by 3.5% only.

  See below for explanation of changes in each operating expense component.

(1) Any mention of "net profit" or "equity" in this Board of Directors' Report refers to net profit and equity attributable to shareholders of the Bank.

	As of				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
					NIS in millions
Balance sheet – key items					
Total assets	394,045	392,271	379,563	374,370	370,410
Loans to the public, net	282,917	271,428	259,742	254,236	249,539
Cash and deposits with banks	84,666	95,267	96,365	94,337	91,392
Securities	16,967	15,033	14,749	17,539	19,529
Buildings and equipment	1,400	1,734	1,667	1,678	1,702
Deposits from the public	312,653	307,924	303,921	294,391	293,766
Bonds and subordinated notes	36,045	38,046	32,664	35,594	33,335
Deposits from banks	6,850	6,992	6,801	5,945	4,293
Shareholders' equity(1)	21,199	20,770	20,831	20,444	19,422

Development of balance sheet items shows consistent growth in Bank business:

- Total assets as of March 31, 2022 amounted to NIS 394.0 billion, an increase by NIS 23.6 billion compared to March 31, 2021, or an increase by 6.4%.
- Loans to the public, net as of March 31, 2022 amounted to NIS 282.9 billion, an increase by NIS 33.4 billion compared to March 31, 2021, or an increase by 13.4%.
- Deposits from the public as of March 31, 2022 amounted to NIS 312.7 billion, an increase by NIS 18.9 billion compared to March 31, 2021, or an increase by 6.4%.
- Shareholders' equity as of March 31, 2022 amounted to NIS 21.2 billion, an increase by NIS 1.8 billion compared to March 31, 2021, or an increase by 9.1%. See below also the chapter "Capital adequacy".

(1) Any mention of "net profit" or "equity" in this Board of Directors' Report refers to net profit and equity attributable to shareholders of the Bank.

Key financial ratios (in percent)

	2022 First quarter	2021 Fourth quarter	Third quarter	Second quarter	First quarter	2021 Annual
Key performance benchmarks						
Net profit return on equity(1)(2)	(8)21.9	12.9	16.2	19.8	14.1	15.8
Net profit return on risk assets(1)(2)(3)	2.07	1.26	1.62	1.92	1.34	1.53
Return on average assets(2)	1.17	0.71	0.90	1.07	0.74	0.85
Deposits from the public to loans to the public, net	110.5	113.4	117.0	115.8	117.7	113.4
Ratio of Tier I equity to risk components	10.01	10.04	10.44	10.53	10.15	10.04
Leverage ratio(4)	5.31	5.18	5.37	5.36	5.16	5.18
(Quarterly) liquidity coverage ratio(5)	120	125	126	132	133	125
Net stable funding ratio	116	119	-	-	-	119
Ratio of revenues to average assets(2)	3.27	2.76	2.80	2.87	2.65	2.75
Cost-income ratio – operating expenses to total revenues(6) (Cost Income Ratio)	(8)43.2	59.0	51.2	50.4	55.3	54.0
Basic net earnings per share (in NIS)	4.50	2.65	3.30	3.87	2.65	12.47
Key credit quality benchmarks						
Ratio of balance of provision for credit losses to total loans to the public	0.89	0.77	0.83	0.86	0.96	0.77
Balance of provision for credit losses, including estimated credit losses in balance of loans to the public at Union Bank, as percentage of loans to the public	0.94	0.85	0.91	0.95	1.07	0.85
Ratio of non-accruing debts or debts in arrears 90 days or longer to loans to the public	1.13	0.98	1.06	1.07	1.23	0.98
Expenses with respect to credit losses to loans to the public, net for the period(2)	0.11	(0.02)	(0.06)	(0.38)	0.02	(0.10)
Net accounting write-offs as percentage of average loans to the public(2)	0.03	0.09	0.03	0.04	0.06	0.05
Other information						
Share price (in NIS) at end of quarter	125.20	120.00	109.00	100.40	87.14	120.00
Dividends per share (in Agorot)(7)	106	293	189	-	-	482
Ratio of net interest revenues to average assets(2)	2.18	2.04	2.14	2.20	1.85	2.05
Ratio of commissions to average assets(2)	0.53	0.55	0.50	0.50	0.52	0.52

Financial ratios indicate as follows:

- Net profit return on equity in the first quarter of the year was 21.9%, due to increase in activity volume, impact of the Consumer Price Index and capital gain from realized assets.
- The ratio of Tier I capital to risk components increased to 10.01%. The minimum ratio required of the Bank is 9.61%.
- The cost-income ratio for the first quarter of 2022 was 43.2%.

Profit and loss items, balance sheet items and various financial ratios are analyzed in detail in the Report of the Board of Directors and Management, in chapter "Explanation and analysis of results and business standing" and in chapter "Risks overview".

(1) Any mention of "net profit" or "equity" in this Board of Directors' Report refers to net profit and equity attributable to shareholders of the Bank.
(2) Annualized. In conformity with the Bank of Israel circular, the calculation method for presenting return for interim periods has been revised. Comparative figures were revised accordingly. Net profit return on equity in 2021 using the old method was: For the first quarter: 14.9%; for the second quarter: 21.3%; for the third quarter: 17.3%; for the fourth quarter: 13.5%
(3) Net profit to total average risk assets.
(4) Leverage Ratio – ratio of Tier I capital (according to Basel rules) to total exposure. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 218.
(5) Liquidity Coverage Ratio – ratio of total High-Quality Liquid Assets to net cash outflow. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 221, in terms of simple averages of daily observations during the reported quarter.
(6) Total operating and other expenses to total operating and financing revenues and expenses with respect to credit losses.
(7) The dividends per share is calculated based on the amount of the dividends actually distributed in the reported period.
(8) Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first quarter of 2022 is 16.6% and the cost-income ratio is 48.8%.

Key risks

As part of the Bank's risk mapping process, the list of major risks was specified as follows: Credit risk (and credit concentration), market risk, interest risk (and, in particular, interest risk in the bank portfolio), liquidity risk, operational risk, including information security and cyber risk, IT risk and legal risk, compliance and regulatory risk, cross-border and AML risk, reputational risk and strategic-business risk. The Bank regularly reviews the risks mapping to ensure that it encompasses all business operations at the Bank, market conditions and regulatory requirements.

For more information see chapter "Key risks" of the 2021 Report by the Board of Directors and Management.

Information about developments of risks, including impact of the Corona Virus crisis, is presented in the chapter "Risks overview" below and in the Risks Report on the Bank website.

See below for updates on estimated potential impact of various risk factors on the Bank Group, in chapter "Risks overview".

Business goals and strategy

Strategic plan

For more information about the Bank's business goals and strategy for 2021-2025, see chapter "Business goals and strategy" of the 2021 Report of the Board of Directors and Management.

Developments in capital structure

Investments in Bank capital and transactions in Bank shares

For more information about share issuance as part of the employee stock option plan, see report of changes to shareholders' equity on the financial statements.

Raising of capital sources

As part of the Bank work plan, determined by the Board of Directors and including growth targets for diverse areas of operation, the Bank assesses the impact of achieving these targets on total risk assets at the Bank and, consequently, on the capital adequacy ratio. Accordingly, along with business and profitability objectives, a plan is set to raise capital sources in order to maintain capital adequacy, in accordance with instructions of the Board of Directors concerning capital adequacy.

Developments in financing sources

Group financing sources include deposits from the public and from other banks, issuance of types of bonds as well as shareholder equity.

The Bank selects the mix of financing sources based on its business objectives, including objectives for profitability, return on equity, liquidity, diversification of sources in Israel and overseas across different currencies, capital adequacy and leverage – subject to statutory limitations applicable to banking corporations and in accordance with the state of the capital market in Israel and globally, and management forecasts regarding development therein.

Deposits

The Bank distinguishes between different source types by term and by client type. The Bank reviews the degree of depositor concentration, and in this regard the Board of Directors and management have set limits and guidelines for concentration risk with regard to a single depositor, liquid means with regard to large / institutional depositors and source structure. Quantitative and qualitative indicators to be regularly monitored, which estimate change in concentration risk – have been specified as part of liquidity risk management.

Deposits from the public for the Group as of March 31, 2022 amounted to NIS 312.7 billion, compared to NIS 307.9 billion at end of 2021, an increase by 1.5%. Deposits from the public in the NIS-denominated, non-CPI linked segment increased in 2022 by 1.1%; deposits in the CPI-linked segment increased by 5.7%; and deposits denominated in or linked to foreign currency increased by 1.9%. For more information see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below.

Issuance of obligatory notes, bonds and complex capital notes

The Bank acts to raise long-term sources through issuances, including through Mizrahi Tefahot Issuance Company Ltd. (hereinafter: "Tefahot Issuance"), a wholly-owned subsidiary of the Bank. Over the years, Tefahot Issuance has issued obligatory notes to the public pursuant to published prospectuses.

Tefahot Issuance has a shelf prospectus, dated August 5, 2019, for issuance of obligatory notes. On July 27, 2021, further to the Company's request, ISA resolved to extend the deadline for offering securities pursuant to the shelf prospectus by a further 12 months, to August 4, 2022.

In addition to operations of Tefahot Issuance, the Bank itself has a shelf prospectus issued December 3, 2019 (dated December 4, 2019). On November 29, 2021, further to the Bank's request, ISA resolved to extend the deadline for offering securities pursuant to the shelf prospectus by a further 12 months, to December 3, 2022.

Total bonds and subordinated notes as of March 31, 2022 amounted to NIS 36.0 billion, compared to NIS 38.0 billion as of December 31, 2021.

Of these, contingent subordinated notes (Contingent Convertibles – CoCo) with loss-absorption provisions through principal write-off (compliant with Basel III qualification provisions and recognized by the supervisor of Banks as Tier II capital), as of March 31, 2022, amounted to NIS 6.2 billion, compared to NIS 6.1 billion as of December 31, 2021.

For more information about the credit rating of the Bank and its obligatory notes, see chapter "Corporate Governance, Audit, Other Information about the Bank and Management thereof".

Issuance and redemption of funding sources

Further to approval by the Supervisor of Banks, the Bank conducted an early redemption of subordinated note (Series A) in early January 2022, for NIS 2.1 billion. The subordinated note issued by the Bank did not qualify as supervisory capital pursuant to Basel III directives and was gradually written down.

On April 11, 2022, after the balance sheet date, Tefahot Issuance issued two new bond series, Series 63 and 64, NIS-denominated and CPI-linked, amounting to NIS 1.2 billion each, for total consideration amounting to NIS 2.4 billion.

Significant developments in management of business operations

Corona Virus pandemic

For more information about Bank operations under Corona Virus routine, see chapter "Trends, phenomenon and material changes" below.

Union Bank merger

On September 30, 2020, the Bank completed the proposed exchange tender for Union Bank shares and acquired 100% of the issued and paid-in share capital of Union Bank and of voting rights in Union Bank.

In the first quarter of 2022, the merger of Union Bank into the Bank continued. This includes continued onboarding of Union Bank clients at the Bank, closing of 16 Union Bank branches (through the financial statements issue date) and signing a transaction for sale of properties owned by Union Bank which were then leased for terms in line with continued use of such properties.

The merger transaction is a material, large-scale and highly complex process which entails a wide range of risks. The merger process is carried out by several extensive joint work teams of Bank Mizrahi Tefahot and Union Bank, managed by a steering committee headed by the Bank President & CEO, with administrations established to carry out the merger plan and a special Board committee established to supervise this process. The process of client transition started in the second quarter of 2021 and is gradual, as the number of branches and clients is expanded. The Bank's Risk Control Division and Internal Audit regularly accompany and conduct control and lesson learning processes.

The Bank manages the merger project gradually and separately from current business, in order to allow for achievement of the work plan targets concurrently with the merger process.

Late in the first quarter of 2022, a process started to merge Union Bank insurance agencies with and into Tefahot Insurance Agency Ltd. of Bank Mizrahi Tefahot Group.

For more information about agreements to Union Bank investment in Hof HaTchelet Development Company and 24 rental properties, see chapter "Significant Events in the Bank Group's Business" below.

For more information about retirement program for Union Bank employees, see chapter "Significant developments in human resources and administration" below.

For more information about the agreement signed by Igud Systems Ltd. and Mizrahi-Tefahot Technology Division Ltd. and the Employee Union of Union Bank Systems Ltd., which governs onboarding of Igud employees, see chapter "Significant developments in human resources and administration" below.

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank Board of Directors. The assumptions may fail to materialize due to factors not entirely under the Bank's control.

Significant developments in human resources and administration

Developments in labor relations

Special collective bargaining agreement at Union Bank

On March 25, 2021, a special collective bargaining agreement was signed by Union Bank and two of its subsidiaries, by the New General Labor Union / the MAOF trade union / Bank and Credit Company Staff Division and by the Employee Union of Union Bank and the Manager and Authorized Signatory Association of Union Bank (hereinafter in this paragraph: "the Agreement"). The Agreement stipulates the retirement terms and conditions for regular employees of Union Bank, certain temporary employees who meet the criteria stated in the Agreement and certain other employees of the subsidiaries ("Retiring Employees") following the merger of Union Bank with and into the Bank ("Retirement Program"). Pursuant to the Agreement, Union Bank offered to relevant employees who would depart as a result of the merger, a Retirement Program with terms and conditions as set forth in the Agreement (hereinafter: "the Retirement Program"). The Retirement Program is to govern retirement of 340 of the relevant employees, as defined above. In conformity with the Retirement Program, the Retiring Employees may retire from Union Bank within a specified time period. The benefits offered, depending on employees' age and seniority, include a bridging pension or increased severance pay, retirement bonuses and other benefits applicable to certain employee groups. The retirement of these employees pursuant to the program shall be gradual through 2022, in conformity with the rules, periods and dates stipulated in the agreement. On June 21, 2021, an addendum to the agreement was signed, whereby the number of retiring employees would be increased to 480. Moreover, the periods and dates for employee retirement were updated – all through 2022. Union Bank assumes that the final number of retiring employees would be close to the aforementioned number. Upon signing the addendum to the agreement, Union Bank assessed the cost of the Retirement Program, beyond actuarial provisions for retirement at beneficial terms, at NIS 430 million (in net profit terms: NIS 283 million). In case of increase in the number of retiring employees by consent from the Bank, the cost of their retirement would increase accordingly. Note that this estimated cost of the Retirement Program was included in calculation of the Bank's capital adequacy ratio as of September 30, 2020, and as approved by the Supervisor of Banks, is directly attributed to the deferred credit balance recognized by the Bank following the acquisition of Union Bank, and is not recognized as an expense.

Other matters

Changes in Bank management

On October 11, 2021, the Bank’s Board of Directors resolved to appoint Ms. Shevy Shemer as VP, Manager of the Retail Division, replacing Mr. Engel, and her start date in office is April 1, 2022. The Board of Directors of Union Bank appointed Mr. Haim Freilichman as CEO of Union Bank as from April 1, 2022. Mr. Freilichman has previously held this position.

Meitav Dash Investments ceased to be an interested party

On January 31, 2022, the Bank reported that Meitav Dash Investments ceased to be an interested party in the Bank (for more information, see Immediate Report dated January 31, 2022, reference: 2022-01-013135).

Legal Proceedings

For material changes in legal proceedings to which the Bank is party, see Note 10.B.(2-3) to the financial statements.

Explanation and analysis of results and business standing

This chapter includes a description of material trends, occurrences, developments and changes with regard to results and business standing, including analysis of development of revenues, expenses and profit. It also provides a description of results of the Bank's supervisory operating segments and operating results for holdings in major entities.

Trends, phenomena and material changes

Significant Events in the Bank Group's Business

Effect of the Corona Virus outbreak

In 2020, the Bank applied measures in response to client needs arising from the situation. Action taken by the Bank includes approval of deferral in current repayments for mortgage clients who needed this due to temporary hardship resulting from the crisis. The Bank also extended State-guaranteed loans from State-guaranteed foundations, as part of the economic assistance program announced by the State.

In 2022, in order to assist Bank clients, the Bank offered its clients a voluntary outline for deferral and re-scheduling of loan repayments for households, and also allowed them to decrease their monthly mortgage payments by 50%. The

Bank also played a significant, active role in extending loans to businesses, as part of state-guaranteed funds, to small businesses to defer the loan principal repayment for 12 months.

Business units continue to keep in close regular contact with clients, in order to help the business sector face the challenges resulting from this crisis.

As of March 31, 2022, the balance of loans provided by the Bank from State-guaranteed funds amounted to NIS 4.6 billion. Against the loans extended, in conformity with the Bank of Israel outline, the Bank participated and obtained a special-purpose monetary loan from the Bank of Israel for 3 years bearing fixed interest at 0.1% whose balance as of March 31, 2022 amounted to NIS 4.9 billion.

For more information about loans subject to repayment delay and loans extended from State-guaranteed funds, see chapter "Risks overview – Credit risk". For more information about Bank activities to assist clients, in view of the Corona Virus crisis, see chapter "Credit risk" below.

Sale of properties owned by the Bank Group

- On January 30, 2022, the Bank and Bank subsidiaries (hereinafter: "the sellers") signed agreements to sell their entire interest in 24 rental properties across Israel designated for different uses (hereinafter: "the properties"), office and commerce, including: Union Bank management building on Ahuzat Bayit Street, Tel Aviv-Yafo; office building on Lincoln Street, Tel Aviv-Yafo; Union Bank's main Tel Aviv branch on Ahad HaAm Street, Tel Aviv-Yafo; and multiple properties at Mitcham HaBursa in Ramat Gan. The consideration for sale of the interest in the properties amounts to NIS 531.6 million plus VAT (hereinafter: "the consideration" and "the transaction", respectively).
  On February 9, 2022, the Anti-Trust Supervisor granted their approval, thereby the suspensive condition in the transaction was fulfilled and the transaction closed.
  Most of the properties would be leased to the sellers for variable terms as from February 2022, in conformity with provisions of the leases signed by the sellers and the buyer.
  The Bank recognized net profit amounting to NIS 179 million in the first quarter of 2022 with respect to sale of these properties. For more information see Immediate Reports dated September 14, 2021, (reference: 2021-01-146793), report dated January 31, 2022, (reference 2022-01-013000), report dated February 9, 2022, (reference: 2022-01-017011).
- On January 26, 2022, an agreement was signed by Union Bank to sell the investment Hof HaTchelet Development Company for NIS 190 million plus VAT. With respect to this sale, the Bank recognized net gain of NIS 100 million in the first quarter of 2022.

General environment and impact of external factors on the Bank Group

Major developments in the banking sector in Israel and overseas

For extensive information about trends in the banking sector in Israel and overseas in recent years, see chapter "Explanation and analysis of results and business standing" on the 2021 Report of the Board of Directors and Management.

Developments in the Israeli and global economy in 2022

Israeli economy

Real developments

In the first quarter of 2022, the Israeli economy continued to improve, despite the Omicron outbreak in January. This outbreak did cause demand to slow down, only to rapidly recover later in the quarter.

GDP in Israel in the first quarter of 2022 declined at an annualized 1.6%, further to 8.2% annualized growth in 2021 and following a 2.2% decline in 2020. The GDP decline in the first quarter was primarily due to decrease in exports of goods and services, in public consumption and in private consumption. On the other hand, investment in fixed assets continued to expand.

The Bank of Israel Composite Index increased in January to March of this year at an annualized 1.4%, further to an increase of 2.6% in 2021 and a decrease of 0.1% in 2020. The broad unemployment rate, consisting of the un-employed, those employed but away from work due to the Corona Virus outbreak and those out of employment due to termination or to closure of their place of employment – was at 4.7% in April 2022, compared to 6.0% in December 2021. As of March, the number of vacant jobs in the economy was at a record 151 thousand jobs.

According to forecast by the Bank of Israel Research Division dated April 2022, GDP in Israel is expected to grow by 5.5% in 2022. The average unemployment rate in 2022 is expected to be 3.5%.

Inflation and exchange rates

In the first three months of this year, the Consumer Price Index increased by 1.5%, compared to an increase by 0.8% in the corresponding period last year. Over the past year, the CPI increased by 3.5%, higher than the Bank of Israel target range. The increase in CPI was primarily affected by the release of pent-up demand and elimination of restrictions on economic activity, as well as by higher energy and commodity prices world-wide. All CPI components were higher, except for clothing and footwear.

In the first quarter of this year, the NIS was devalued by 2.1% against the USD, affected by foreign currency purchasing by institutional investors due to declines in global financial markets. The devaluation of the NIS increased inflationary pressures.

Below is information about official exchange rates and changes there to:

	March 31, 2022	December 31, 2021	Change in %
Exchange rate of:			
USD (in NIS)	3.176	3.110	2.1
EUR (in NIS)	3.524	3.520	0.1

On May 16, 2022 the USD/NIS exchange rate was 3.419, a devaluation by 7.7% compared to March 31, 2022. On that date, the EUR/NIS exchange rate was 3.565, a devaluation by 1.2% compared to March 31, 2022.

Monetary policy

Following the higher inflation and housing prices, and given the robust economic activity and labor market, in April 2022 the Bank of Israel decided to raise the interest rate by 0.25 percentage points, to 0.35%. In its interest rate resolution, the Monetary Committee noted that conditions are ripe to launch a gradual process of raising the interest rate, with a pace to be determined based on economic activity data and on development of inflation. The forecast by the Bank of Israel Research Division, dated April 2022, estimates that the average interest rate in the first quarter of 2023 would be 1.5%.

Fiscal policy

In the first three months of 2022, the Government budget recorded a NIS 23.4 billion cumulative surplus, compared to NIS 23.3 billion deficit in the corresponding period last year. The deficit rate as percentage of GDP for the 12 months ended in March 2022 was 1.4%, the lowest rate sine 2008. In the first three months of 2022, expenditure by Government ministries decreased by 15.2% compared to the corresponding period last year; Excluding expenses for addressing the Corona Virus crisis, Government expenditure increased by 0.2%. Tax collection increased by a nominal 30.3% compared to the corresponding period last year.

Residential construction and the mortgage market

According to data from the Central Bureau of Statistics, in the first three months of 2022 demand for new apartments (apartments sold and apartments constructed not for sale, net of seasonal effect) was 19.1 thousand apartments, an increase by 22.9% over the corresponding period last year and an increase by 45.8% over the corresponding period in 2020. In the first three months of 2022, residential mortgages extended to the public amounted to NIS 34.8 billion, compared to NIS 22.5 billion in the corresponding period last year and NIS 21.1 billion in the corresponding period in 2020 – an increase by 55% and 64%, respectively.

According to data from the Central Bureau of Statistics, owned housing prices, in terms of twelve months ended March 2022, increased by 16.3%, compared to an increase by 13.4% in 2021 and an increase by 4.0% in 2020.

Capital market

Trading on Israeli equity markets in major indexes in the first quarter of 2022 was positive, as opposed to trading on stock exchanges in the USA and world-wide.

In April 2022, prices on overseas market, as well as on the local stock market, started to drop. These drops were due to negative impact of three major factors: The war in the Ukraine and its implications for global economic activity on the one hand, and on the jump in commodity prices on the other hand, the zero tolerance for COVID policy in China, which has shut down the key port of Shanghai for a long time, which also contributed to pressure on commodity prices, and the transition of major central banks around the world, spearheaded by the Federal Reserve, from a highly expansionary policy to a contractionary policy, with rapid raising of interest rates (some already applied, and some slated for later this year and in 2023). The combination of these factors affects economic activity and investor sentiment. This impact is most evident in shares of growth companies (primarily in technology stocks), which have lost significant portions of the sharp increases which preceded the current crisis.

Below are changes to major stock indices in Israel (in percent):

	2022	2021			
CPI	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Tel-Aviv 35	2.2	6.7	7.1	4.9	7.0
Tel-Aviv 125	2.0	7.5	5.4	6.0	6.1
Tel-Aviv 90	2.3	10.4	1.8	8.7	6.1

Average daily trading volume in equities and convertible securities in the first quarter of 2022 was NIS 2.6 billion, compared to NIS 1.8 billion in the corresponding period last year and compared to NIS 1.9 billion in 2021.

Below are changes to major bond indices in Israel (in percent):

	2022	2021			
CPI	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
All-Bond general	(3.4)	1.4	1.3	1.0	0.3
Government bonds, CPI-linked	(3.9)	3.1	2.6	1.2	0.4
Government bonds, non-linked	(4.5)	0.9	(0.2)	-	(1.5)
Tel-bond 20	(3.0)	1.5	2.6	2.2	1.8
Tel-bond 40	(2.5)	1.1	2.6	1.9	1.7

Global economy

The Russian invasion of Ukraine and sanctions imposed on Russia resulted in higher geo-political tension and higher prices of energy and commodities world-wide. According to the IMF forecast dated April 2022, global inflation should remain high and global GDP growth in 2022 should be 3.6% – lower by 0.8 percentage point from the previous forecast, due to effects of the war.

The US economy shrank in the first three months of 2022 at an annualized 1.4%, compared to growth of 5.7% in 2021 and following a decrease by 3.4% in 2020. This is in view of the larger trading balance deficit and the drop in investment in inventory. The inflation rate has increased to 8.5%. As a result, in March the Federal Reserve raised the interest rate by 0.25 percentage point and in May – by 0.5 percentage point. The Fed also announced that in June 2022, it would start to dispose of assets at USD 47.5 billion per month for three months, and at twice this pace thereafter. The Purchasing Manager Indexes show rapid expansion in both industrial and service sectors. However, disruptions to the global supply chain and the Omicron outbreak weighed heavy on economic expansion in the first quarter of 2022. Unemployment in April 2022 was at 3.6%, compared to 3.5% immediately prior to the crisis.

GDP in the Euro Zone increased in the first three months of 2022 at an annualized 0.8%, further to increase by 5.3% in 2021 and decrease by 6.4% in 2020. Inflation increased to 7.5%, due to higher cost of energy imports from Russia. The Purchasing Manager Index in economic sectors shows slower expansion year to date, whereas the Purchasing Manager Index in service sectors was positively affected by the recovery from the Omicron outbreak early in this year. The ECB announced termination of the bond purchasing program in the third quarter.

China's economy grew in the first three months of 2022 at an annualized 1.3%, following growth by 8.1% in 2021 and growth by 2.2% in 2020. The growth rate in China's economy was more moderate in the first quarter of 2022, in view of a new morbidity outbreak, which resulted in lock-downs being imposed and discontinued operations at many plants. In view of the economic slow-down and sideways movement in the real estate sector, China's central bank lowered the key interest rate and decreased reserve requirements for banks.

Below are changes to major stock indices overseas (in percent):

	2022	**2021**			
CPI	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Dow Jones	(4.6)	7.4	(1.9)	4.6	7.8
S&P 500	(5.0)	10.7	0.2	8.2	5.8
NASDAQ 100	(9.1)	11.1	0.9	11.2	1.6
DAX	(9.3)	4.8	(1.7)	3.5	9.4
FTSE 100	1.8	5.1	0.7	4.8	3.9
CAC	(6.9)	9.8	0.2	7.3	9.3
Nikkei	(3.4)	0.1	2.3	(1.3)	6.3

Major and emerging risks

In its operations, the Bank is exposed to multiple risks with potential to impact the Bank's financial results and image.
As part of the risk mapping and identification process, the Bank reviews key risks, existing (or new) risks which may materialize over the coming year and with potential to materially impact the Bank's financial results and stability. These are risks such as: credit, interest and liquidity risks. The Bank also identifies emerging risks, which may materialize over the longer term, with uncertainty about their nature and impact on the Bank. Of these risks, one may note the following: environmental risk and climate risk, information security and cyber risk, IT risk and reputation risk. As noted, the risk mapping is regularly reviewed to ensure it covers all of the Bank's business activity, market conditions and regulatory requirements.
For more information, including analysis of major risks to which the Bank is exposed and an overview of their management and evolution in the reported period, including effect of the Corona Virus crisis, see chapter "Risks Overview" below, the Risks Report for the first quarter of 2022 and the Risks Report for 2021, available on the Bank website:
< www.mizrahi-tefahot.co.il About the Bank < Investor Relations < Financial Information.

Independent Auditor's review report

The Independent Auditor, in their review, has drawn attention to Note 10.B.3. with regard to lawsuits filed against the Bank and its subsidiaries, including requests to recognize them as class actions.

Events after the balance sheet date

On April 11, 2022, after the balance sheet date, Tefahot Issuance issued two new bond series, Series 63 and 64, NIS-denominated and CPI-linked, amounting to NIS 1.2 billion each, for total consideration amounting to NIS 2.4 billion.

Changes to critical accounting policy and to critical accounting estimates

As set forth in Note 1.C.1., following the adoption of updates to generally acceptable accounting practices by banks in the United States – provision for credit losses and other directives (CECL), the following were revised, inter alia: calculation of estimated provision for credit losses, estimated expected loss over the term of the credit in lieu of loss incurred and yet to be identified.
For this purpose, the Bank has developed models to estimate the provision for credit losses. In order to develop these models. the Bank was required to exercise judgement in assessments, estimates and assumptions which affect financial data. Note that actual results may differ from these estimates.
The new rules for calculation of the provision for credit losses apply to loans (including residential mortgages), to bonds held to maturity and to certain off-balance sheet credit exposures.

Material developments in revenues, expenses and other comprehensive income

Group net profit in the first quarter of 2022 amounted to NIS 1,154 million, compared to NIS 676 million in the corresponding period last year – an increase by 70.7%. This reflects a 21.9% annualized return on equity, compared to 14.1% in the corresponding period last year and 15.8% for all of 2021. Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first quarter of 2022 is 16.6%.

Analysis of developments in revenues, expenses and other comprehensive income

Net interest revenues and non-interest financing revenues(1) in the first quarter of 2022 amounted to NIS 2,261 million, compared to NIS 1,880 million in the corresponding period last year, an increase by 20.3%.

Net interest revenues and non-interest financing revenues(1) from current operations in the first quarter of 2022, amounted to NIS 1,815 million, as described below, compared to NIS 1,560 million in the corresponding period last year, an increase by 16.3%.

The increase in operating revenues in the first quarter of 2022 was achieved in view of increase in activity due, inter alia, to increase by 13.5% in net loans to the public in the first quarter of this year.

Below is analysis of development of financing revenues from current operations (NIS in millions):

	2022	2021				Change rate in %
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	First quarter of 2022 compared to first quarter of 2021
Interest revenues, net	2,144	1,958	2,001	2,035	1,691	
Non-interest financing revenues(1)	117	83	63	66	189	
Total financing revenues	**2,261**	**2,041**	**2,064**	**2,101**	**1,880**	**20.3**
Net of:						
Effect of the Consumer Price Index	228	41	173	251	19	
Revenues from interest collected with respect to problematic debts	13	18	14	14	11	
Gains from realized bonds and available-for-sale securities and gains from bonds held for trading, net	21	27	13	13	62	
Effect of accounting treatment of derivatives at fair value and others(2)	184	214	193	209	228	
Total effects other than from current operations	**446**	**300**	**393**	**487**	**320**	
Total financing revenues from current operations	**1,815**	**1,741**	**1,671**	**1,614**	**1,560**	**16.3**

(1) Non-interest financing revenues include effect of fair value and others and revenues with respect to linkage differentials on CPI derivatives, where the corresponding revenue is recognized as interest revenues, in conformity with accounting rules.

(2) The effect of accounting treatment of derivatives at fair value is due to the difference between accounting treatment of balance sheet instruments, charged to the profit and loss statement on an accrual basis (interest, linkage differentials and exchange rate differentials only), vs. derivatives measured at their fair value. Other impacts include the effect of Bank coverage against tax exposure with respect to overseas investments, by allocating excess financing sources against such investments.

Below are details of total financing revenues by supervisory operating segments (NIS in millions):

	First quarter			
Operating segment	**2022**	**2021**	**Change amount**	**Change rate (In %)**
Private individuals:				
Households – residential mortgages	603	535	68	12.7
Households – other	362	361	1	0.3
Private banking	23	23	-	-
Total individuals	**988**	**919**	**69**	**7.5**
Business operations:				
Small and micro businesses	357	346	11	3.2
Medium businesses	93	85	8	9.4
Large businesses	156	142	14	9.9
Institutional investors	34	26	8	30.8
Total business activity	**640**	**599**	**41**	**6.8**
Financial management	578	313	265	-
Total activity in Israel	**2,206**	**1,831**	**375**	**20.5**
Overseas activity	55	49	6	12.2
Total	**2,261**	**1,880**	**381**	**20.3**

For definition of supervisory operating segments and differences between supervisory operating segments and operating segments based on management approach – see chapter "Supervisory operating segments" below.

Below are average balances of interest-bearing on-balance sheet assets attributed to activity in Israel, in various linkage segments (NIS in millions):

	First quarter		
Linkage segment	**2022**	**2021**	**Change in %**
Israeli currency – non-linked	271,881	250,774	8.4
Israeli currency – linked to the CPI	75,298	67,784	11.1
Foreign currency (including Israeli currency linked to foreign currency)	17,171	13,949	23.1
Total	**364,350**	**332,507**	**9.6**

Change in average balances of interest-bearing assets is primarily due to growth in loans to the public.

Below are interest spreads (the difference between interest revenue rate for assets and interest expense rate for liabilities)(1) based on average balances(2), attributed to activity in Israel, in the various linkage segments (in percent):

	First quarter	
Linkage segments	**2022**	**2021**
Israeli currency – non-linked	2.02	1.78
Israeli currency – linked to the CPI	1.42	1.49
Foreign currency	1.20	1.45
Total	**1.73**	**1.68**

(1) Revenue and expense rates calculated for interest-bearing assets and liabilities.
(2) Average balances before deduction of provision with respect to credit losses.

Changes in interest spreads:

Across all linkage segments, the interest rate spread shown excludes the effect of derivatives. Including the effect of derivatives, there was no material change in the interest rate spread in the various linkage segments.

For composition of interest rate spreads by different criteria (activity type, linkage segment and quantity and price analysis), more information about non-interest bearing assets and liabilities and information about overseas activities, see appendix "Interest Revenue and Expense Rates" to the quarterly financial statements.

Expenses with respect to credit losses for the Group amounted to NIS 79 million in the first quarter of 2022, or an annualized rate of 0.11% of total loans to the public, net, compared with expenses amounting to NIS 13 million in the corresponding period last year – an annualized rate of 0.02% of total loans to the public, net. The increase is primarily due to adjustment of the group-based provision for growth in the Bank's business loan portfolio and residential mortgage portfolio.

Development of expenses (revenues) with respect to credit losses (NIS in millions) is as follows:

	First quarter	
	2022	**2021**
Provision for credit losses on individual basis (including accounting write-offs):		
Increased expenses	81	114
Decreased expenses	(55)	(66)
Total individual provision	**26**	**48**
Provision for credit losses on group basis:		
with respect to residential mortgages[1]	14	(23)
Other	39	(12)
Total expenses (revenues) with respect to credit losses	**79**	**13**
Rate of the expenses (revenues) with respect to credit losses as percentage of total loans to the public, net (annualized):	**0.11%**	**0.02%**
Of which: With respect to commercial loans other than residential mortgages	**0.26%**	**0.16%**
Of which: with respect to residential mortgages	**0.03%**	**(0.06%)**

(1) In the comparison period, including provision by extent of arrears.

Below are details of expenses (revenues) with respect to credit losses by supervisory operating segments of the Group (NIS in millions):

	First quarter			
	Expenses with respect to credit losses		**Rate of expenses with respect to credit losses[1]**	
Operating segment	**2022**	**2021**	**2022**	**2021**
Private individuals:				
Households – residential mortgages	14	(23)	0.03	(0.06)
Households – other	5	(7)	0.08	(0.11)
Private banking	(1)	(3)	(3.29)	(5.65)
Total individuals	**18**	**(33)**	**0.03**	**(0.07)**
Business operations:			-	-
Small and micro businesses	43	16	0.55	0.22
Medium businesses	(19)	16	(0.67)	0.66
Large businesses	30	35	0.47	0.68
Institutional investors	4	(19)	0.80	(3.38)
Total business activity	**58**	**48**	**0.33**	**0.31**
Financial management	-	-	-	-
Total activity in Israel	**76**	**15**	**0.11**	**0.02**
Overseas activity	3	(2)	0.25	(0.21)
Total	**79**	**13**	**0.11**	**0.02**

(1) Expenses with respect to credit losses, as percentage of total loans to the public, net (annualized) (in %).

For definition of supervisory operating segments and differences between supervisory operating segments and operating segments based on management approach – see chapter "Supervisory operating segments" below.

For more information about analysis of development of loans to the public, see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below.

For more information about analysis of credit risk, see chapter "Credit risk" below and the Risks Report, available on the Bank website.

Non-interest revenues amounted to NIS 1,069 million in the first quarter of 2022, compared with NIS 732 million in the corresponding period last the third – an increase by NIS 337 million. For explanation see below.

Non-interest financing revenues in the first quarter of 2022 amounted to NIS 117 million, compared to NIS 189 million in the corresponding period last year.

This item includes, *inter alia*, the effect of fair value, gain (loss) from activity involving bonds and securities, as well as linkage differentials for CPI derivatives and interest accrual effect (time value) inherent in derivative assets, for which the corresponding revenues (expenses) are recognized pursuant to accounting rules under Interest Revenues. See "Analysis of financing revenues from current operations" above.

Commission revenues in the first quarter of 2022 amounted to NIS 520 million, compared to NIS 477 million in the corresponding period last year – an increase by 9.0%.

Below is information about commissions by major commission type (NIS in millions):

	First quarter		December 31
	2022	**2021**	**2021**
Account management	110	95	412
Activities involving securities	76	89	314
Conversion differences	85	75	306
Commissions from financing transactions	76	66	258
Credit cards	65	54	236
Credit processing(1)	40	28	152
Other commissions	68	70	269
Total commissions	**520**	**477**	**1,947**

(1) Includes the following commissions: Handling credit, foreign trade and net revenues from servicing credit portfolios.

Other revenues amounted to NIS 432 million in the first quarter of 2022, compared with NIS 66 million in the corresponding period last the third – an increase by NIS 366 million.

Other revenues in the first quarter of 2022 include capital gain amounting to NIS 371 million. For more information see chapter "Significant Events in the Bank Group's Business" above.

Other revenues also include NIS 51 million with respect to deferred credit balance, net recognized with respect to acquisition of Union Bank which is recognized on profit and loss over 5 years as from the fourth quarter of 2020.

Operating and other expenses in the first quarter of 2022 amounted to NIS 1,388 million, compared to NIS 1,341 million in the corresponding period last year, an increase by 3.5%.

For details by operating expense component, see below.

Payroll and associated expenses in the first quarter of 2022 amounted to NIS 909 million, compared to NIS 870 million in the corresponding period last year – an increase by 4.5%.

The increase in payroll expenses is primarily due to variable remuneration items, due to the financial results in the first quarter of 2022.

Maintenance and depreciation expenses for buildings and equipment amounted to NIS 237 million in the first quarter of 2022, compared with NIS 240 million in the corresponding period last year, a decrease by 1.3%.

Other expenses in the first quarter of 2022 amounted to NIS 242 million, compared to NIS 231 million in the corresponding period last year, an increase by 4.8%.

Below is Cost-Income Ratio data(1) (in percent):

	2022	**2021**				**2021**
	First quarter	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**	**Annual**
Cost Income Ratio	(2)43.2	59.0	51.2	50.4	55.3	54.0

(1) Total operating and other expenses to total operating and financing revenues and expenses with respect to credit losses.
(2) Excluding capital gain from realized properties, the ratio in the first quarter of 2022 was 48.8%.

Group profit before taxes in the first quarter of 2022 amounted to NIS 1,746 million, compared to NIS 1,069 million in the corresponding period last year, an increase by 63.3%. For a detailed explanation, see above.

The provision rate for taxes on profit in the first quarter of 2022 was 32.6% – compared to 33.5% in the corresponding period last year.

Bank share of after-tax profit of associates – in the first quarter of 2022 the Bank recognized gain with respect to associates amounting to NIS 1 million, compared to loss amounting to NIS 12 million in the corresponding period last year.

The share of the non-controlling interests in net results of subsidiaries attributable to Bank Yahav in the first quarter of 2022 amounted to NIS 24 million, compared to NIS 23 million in the corresponding period last year.

Net profit attributable to shareholders of the Bank in the first quarter of 2022 amounted to NIS 1,154 million, compared to NIS 676 million in the corresponding period last year.

Bank shareholder equity also includes a decrease by NIS 103 million in the first quarter of this year, from adjustments with respect to employee benefits and from adjustments with respect to presentation of bonds available for sale at fair value ("Other comprehensive income attributable to shareholders of the Bank"), compared to decrease by NIS 58 million in the corresponding period last year. For more information see Note 4 to the financial statements.

Below is development of Group return[(1)] on equity[(2)] and ratio of Tier I equity to risk components liquidity coverage ratio[(3)] and leverage ratio[(4)] at the end of the quarter (in %):

	2022	2021				2021
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Annual
Net profit return on equity	[(5)]21.9	12.9	16.2	19.8	14.1	15.8
Ratio of Tier I equity to risk components at end of quarter	10.01	10.04	10.44	10.53	10.15	10.04
(Quarterly) liquidity coverage ratio	120	125	126	132	133	125
Leverage ratio at end of quarter	5.31	5.18	5.37	5.36	5.16	5.18

(1) Annualized. In conformity with Bank of Israel circular 2664-06, the calculation method for presenting return for interim periods has been revised. Comparative figures were revised accordingly. Net profit return on equity in 2021 using the old method was: For the first quarter: 14.1%; for the second quarter: 19.8%; for the third quarter: 16.2%; for the fourth quarter: 12.9%

(2) Return on average shareholder equity, including "all equity instruments", as presented under reported revenue and expense rates, net of average balance of rights of external shareholders and less/plus the average balance of unrealized loss/gain from fair value adjustment of bonds held for trading and of bonds available for sale.

(3) Liquidity Coverage Ratio – ratio of total High-Quality Liquid Assets to net cash outflow. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 221, in terms of simple averages of daily observations during the reported quarter.

(4) Leverage Ratio – ratio of Tier I capital (according to Basel rules) to total exposure. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 218.

(5) Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first quarter of 2022 is 16.6%.

Below is data for earnings and dividends per share (ordinary share of NIS 0.1 par value) (in NIS):

	2022	2021				2021
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Annual
Basic earnings per share	4.50	2.65	3.30	3.87	2.65	12.47
Diluted earnings per share	4.43	2.62	3.24	3.85	2.64	12.35
Dividends per share	106	293	189	-	-	482

Analysis of developments in assets, liabilities, equity and capital adequacy

Assets and liabilities

Below is development of key balance sheet items of the Bank Group (NIS in millions):

		March 31	December 31	Change in % compared to March 31	Change in % compared to December 31
	2022	2021	2021	2021	2021
Total assets	394,045	370,410	392,271	6.4	0.5
Cash and deposits with banks	84,666	91,392	95,267	(7.4)	(11.1)
Loans to the public, net	282,917	249,539	271,428	13.4	4.2
Securities	16,967	19,529	15,033	(13.1)	12.9
Buildings and equipment	1,400	1,702	1,734	(17.7)	(19.3)
Deposits from the public	312,653	293,766	307,924	6.4	1.5
Deposits from banks	6,850	4,293	6,992	59.6	(2.0)
Bonds and subordinated notes	36,045	33,335	38,046	8.1	(5.3)
Shareholders' equity	21,199	19,422	20,770	9.1	2.1

Cash and deposits with banks – the balance of cash and deposits with banks decreased in the first quarter of 2022 by NIS 10.6 billion, due to increase in deposits from the public and as part of on-going management of Bank liquidity.

Loans to the public, net – loans to the public, net as of March 31, 2022 accounted for 72% of total assets, compared to 69% at the end of 2021. Loans to the public, net for the Group increased in the first quarter of 2022 by NIS 11.5 billion, an increase by 4.2%.

For more information about analysis of on-balance sheet and off-balance sheet credit risk, development of problematic debts and various risk benchmarks with regard to residential mortgages, see chapter "Risks" below and the Risks Report, available on the Bank website.

Below is data about loans to the public, net by linkage basis (NIS in millions):

		March 31	December 31	Change in % compared to March 31	Change in % compared to December 31
	2022	2021	2021	2021	2021
Israeli currency					
Non-linked	199,482	172,415	190,455	15.7	4.7
CPI-linked	71,054	65,391	69,534	8.7	2.2
Foreign currency, including linked to foreign currency	12,381	11,619	11,439	6.6	8.2
Non-monetary items	-	114	-	-	-
Total	**282,917**	**249,539**	**271,428**	**13.4**	**4.2**

Below is data about loans to the public, net by supervisory operating segment (NIS in millions):

		March 31	December 31	Change in % compared to March 31	Change in % compared to December 31
	2022	2021	2021	2021	2021
Private individuals:					
Households – residential mortgages	181,311	158,816	174,822	14.2	3.7
Households – other	26,498	25,320	25,948	4.7	2.1
Private banking	120	208	139	(42.3)	(13.7)
Total individuals	**207,929**	**184,344**	**200,909**	**12.8**	**3.5**
Business operations:					
Small and micro businesses	31,355	28,668	30,245	9.4	3.7
Medium businesses	11,363	9,688	9,848	17.3	15.4
Large businesses	25,553	20,743	23,289	23.2	9.7
Institutional investors	1,999	2,219	2,939	(9.9)	(32.0)
Total business activity	**70,270**	**61,318**	**66,320**	**14.6**	**6.0**
Overseas activity	4,718	3,877	4,198	21.7	12.4
Total	**282,917**	**249,539**	**271,428**	**13.4**	**4.2**

For definition of supervisory operating segments and differences between supervisory operating segments and operating segments based on management approach – see chapter "Supervisory operating segments" below.

Below are details of problematic credit risk and non-performing assets before provision for credit losses, in accordance with provisions for measurement and disclosure of non-accruing debts, credit risk and provision for credit losses

Reported amounts (NIS in millions)	**Credit risk[1]**							
	As of March 31, 2022				**As of March 31, 2021**			
	Commercial	**Residential**	**Individual**	**Total**	**Commercial**	**Residential**	**Individual**	**Total**
Credit risk at performing credit rating[2]								
On-balance sheet credit risk	76,556	178,078	24,871	279,505	64,813	157,778	23,514	246,105
Off-balance sheet credit risk[3]	49,980	21,299	14,121	85,400	48,700	16,668	13,467	78,835
Total credit risk at performing credit rating	**126,536**	**199,377**	**38,992**	**364,905**	**113,513**	**174,446**	**36,981**	**324,940**
Credit risk other than at performing credit rating								
A. Non-problematic	2,398	883	277	3,558	4,393	732	275	5,400
B. Problematic accruing	694	1,226	141	2,061	754	1,433	129	2,316
C. Problematic non-accruing	1,121	2,038	59	3,218	1,500	-	56	1,556
Total on-balance sheet credit risk other than at performing credit rating	**4,213**	**4,147**	**477**	**8,837**	**6,647**	**2,165**	**460**	**9,272**
Off-balance sheet credit risk[3] other than at performing credit rating	1,210	-	30	1,240	2,237	-	22	2,259
Total credit risk other than at performing credit rating	**5,423**	**4,147**	**507**	**10,077**	**8,884**	**2,165**	**482**	**11,531**
Of which: Accruing debts, in arrears 90 days or longer	37	-	25	62	28	1,363	22	1,413
Total credit risk, including risk to the public[4]	**131,959**	**203,524**	**39,499**	**374,982**	**122,397**	**176,611**	**37,463**	**336,471**
Non-performing assets[5]	**1,121**	**2,038**	**59**	**3,218**	**1,500**	**-**	**56**	**1,556**

Reported amounts (NIS in millions)	**Credit risk[1]**			
	As of December 31, 2021			
	Commercial	**Residential**	**Individual**	**Total**
Credit risk at performing credit rating[2]				
On-balance sheet credit risk	71,349	173,576	24,400	269,325
Off-balance sheet credit risk[3]	51,173	19,769	13,823	84,765
Total credit risk at performing credit rating	**122,522**	**193,345**	**38,223**	**354,090**
Credit risk other than at performing credit rating				
A. Non-problematic	2,440	882	281	3,603
B. Problematic accruing	734	1,300	137	2,171
C. Problematic non-accruing	1,238	-	56	1,294
Total on-balance sheet credit risk other than at performing credit rating	**4,412**	**2,182**	**474**	**7,068**
Off-balance sheet credit risk[3] other than at performing credit rating	921	-	28	949
Total credit risk other than at performing credit rating	**5,333**	**2,182**	**502**	**8,017**
Of which: Accruing debts, in arrears 90 days or longer	61	1,229	26	1,316
Total credit risk, including risk to the public[4]	**127,855**	**195,527**	**38,725**	**362,107**
Non-performing assets[5]	**1,238**	**-**	**56**	**1,294**

(1) On- and off-balance sheet credit is stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower and of borrower group.

(2) Credit risk whose credit rating as of the report date matches the credit rating for new credit performance, in conformity with Bank policies.

(3) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits.

(4) On- and off-balance sheet credit risk, including with respect to derivatives. Of which: Debts, bonds, securities loaned or purchased in resale agreements.

(5) Assets not accruing interest.

Credit risk is composed of on-balance-sheet risk and off-balance-sheet credit risk, which are weighted by nature of the borrower and credit type, as per Bank of Israel directives. On-balance sheet risk includes balances of loans to the public, derivative instruments purchased by the public and Group investments in public bonds. Off-balance sheet credit risk includes guarantees and transactions in off-balance sheet instruments, commitments to extend credit and un-utilized credit facilities. Total credit risk to the public for the Bank Group as of March 31, 2022 amounted to NIS 376 billion, compared to NIS 362 billion as of December 31, 2021 – an increase by 3.9%.
For more information about credit risk with respect to individuals (excluding residential mortgages), credit risk in the construction and real estate economic sector in Israel and residential mortgage risk, see chapter "Credit risk".

See Notes 6 and 13 to the financial statements for further information.

Benchmarks for analysis of quality of loans to the public, expenses and provision for credit losses (in percent):

	As of March 31, 2022				As of March 31, 2021			
	Commercial	Residential	Individual	Total	Commercial	Residential	Individual	Total
Analysis of quality of loans to the public								
Non-accruing credit as percentage of total loans to the public	1.4	1.1	0.2	1.1	2.1	-	0.2	0.6
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.4	1.1	0.3	1.1	2.2	0.9	0.3	1.2
Problematic credit as percentage of total loans to the public	2.2	1.8	0.8	1.8	3.3	0.9	0.8	1.5
Credit not at performing credit rating as percentage of total loans to the public	7.0	2.3	2.0	3.5	13.1	1.4	2.0	4.6
Analysis of expenses with respect to credit losses for the reported period								
Expenses with respect to credit losses as percentage of average balance of loans to the public	0.08	0.01	0.02	0.03	0.07	(0.02)	(0.04)	0.01
Net accounting write-offs as percentage of average balance of loans to the public	(0.01)	-	(0.05)	(0.01)	(0.03)	(0.00)	(0.08)	(0.02)
Analysis of provision for credit losses with respect to loans to the public								
Provision for credit losses as percentage of total loans to the public	2.0	0.4	1.5	1.0	2.1	0.6	1.3	1.1
Provision for credit losses as percentage of total loans to the public non-accruing	147.2	38.6	637.3	86.7	96.8	-	564.3	174.6
Provision for credit losses as percentage of total loans to the public non-accruing or in arrears 90 days or longer	142.3	38.6	447.6	85.0	95.0	64.6	405.1	88.6
Expense (revenue) rate with respect to credit losses from net accounting write-offs	7.6	-	0.3	4.0	1.1	(23.0)	(0.2)	(0.1)

	As of December 31, 2021			
	Commercial	Residential	Individual	Total
Analysis of quality of loans to the public				
Non-accruing credit as percentage of total loans to the public	1.6	-	0.2	0.5
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.7	0.7	0.3	1.0
Problematic credit as percentage of total loans to the public	2.6	0.7	0.8	1.3
Credit not at performing credit rating as percentage of total loans to the public	7.3	1.2	2.0	2.9
Analysis of expenses with respect to credit losses for the reported period				
Expenses with respect to credit losses as percentage of average balance of loans to the public	(0.1)	(0.1)	(0.2)	(0.1)
Net accounting write-offs as percentage of average balance of loans to the public	(0.1)	(0.00)	(0.2)	(0.1)
Analysis of provision for credit losses with respect to loans to the public				
Provision for credit losses as percentage of total loans to the public	1.7	0.5	1.0	0.8
Provision for credit losses as percentage of total loans to the public non-accruing	105.3	-	453.6	185.3
Provision for credit losses as percentage of total loans to the public non-accruing or in arrears 90 days or longer	103.0	61.8	309.8	89.0
Expense (revenue) rate with respect to credit losses from net accounting write-offs	(0.4)	(13.3)	(0.4)	(0.7)

Below is development of key balance sheet items of the Bank Group (NIS in millions):

				Change in % compared to	
		March 31	December 31	March 31	December 31
	2022	2021	2021	2021	2021
Off-balance sheet financial instruments other than derivatives[(1)]:					
Unutilized debitory account and other credit facilities in accounts					
On-call, un-utilized	20,993	20,083	21,168	4.5	(0.8)
Guarantees to home buyers	17,666	11,946	16,582	47.9	6.5
Irrevocable commitments for loans approved but not yet granted	32,559	31,680	32,963	2.8	(1.2)
Unutilized revolving credit card facilities	10,991	10,102	10,643	8.8	3.3
Commitments to issue guarantees	9,747	11,775	9,351	(17.2)	4.2
Guarantees and other commitments	10,999	9,030	10,571	21.8	4.0
Loan guarantees	3,296	3,138	3,321	5.0	(0.8)
Documentary credit	617	336	430	83.6	43.5
Derivative financial instruments[(2)]:					
Total par value of derivative financial instruments	316,781	319,122	306,727	(0.7)	3.3
(On-balance sheet) assets with respect to derivative instruments	3,333	3,643	3,652	(8.5)	(8.7)
(On-balance sheet) liabilities with respect to derivative instruments	2,945	3,172	3,753	(7.2)	(21.5)

(1) Contractual balances or their stated amounts at the end of the period, before effect of provision for credit losses. See Note 11 to the financial statements for additional information.

(2) Includes forward transactions, swaps, options and credit derivatives.

For more information about analysis of on-balance sheet and off-balance sheet credit risk, see chapter "Risks" below and the Risks Report, available on the Bank website.

Securities – investment in securities increased in the first quarter of 2022 by NIS 1.9 billion. The increase in investment in securities is under asset and liability management by the Bank.

Below is composition of Group securities by portfolio (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Provision for credit losses	Gain from fair value adjustments	Loss from fair value adjustments	Fair value[(1)]
						March 31, 2022
Bonds held to maturity	2,605	2,605	-	32	(45)	2,592
Bonds available for sale	12,788	12,985	(2)	[(2)]117	[(2)] (312)	12,788
Investment in shares not held for trading	704	570	-	[(3)]137	[(3)] (3)	704
Securities held for trading	870	878	-	[(3)]11	[(3)] (19)	870
Total securities	**16,967**	**17,038**	**(2)**	**297**	**(379)**	**16,954**
						March 31, 2021
Bonds held to maturity	3,504	3,504	-	63	(5)	3,562
Bonds available for sale	14,043	13,987	-	[(2)]143	[(2)] (87)	14,043
Investment in shares not held for trading	528	412	-	[(3)]120	[(3)] (4)	528
Securities held for trading	1,454	1,462	-	[(3)]6	[(3)](14)	1,454
Total securities	**19,529**	**19,365**		**332**	**(110)**	**19,587**
						December 31, 2021
Bonds held to maturity	2,934	2,934	-	66	(5)	2,995
Bonds available for sale	10,823	10,675	-	[(2)]192	[(2)](44)	10,823
Investment in shares not held for trading	706	574	-	[(3)]134	[(3)](2)	706
Securities held for trading	570	560	-	[(3)]17	[(3)](7)	570
Total securities	**15,033**	**14,743**		**409**	**(58)**	**15,094**

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.

(2) Included in shareholders' equity in "adjustments on presentation of securities available for sale at fair value".

(3) Charged to statement of profit and loss but not yet realized.

Below is composition of Group securities portfolio by linkage segment (NIS in millions):

				Change in % compared to	
		March 31	December 31	March 31	December 31
	2022	2021	2021	2021	2021
Israeli currency					
Non-linked	7,130	10,013	6,728	(28.8)	6.0
CPI-linked	1,425	1,872	1,469	(23.9)	(3.0)
Foreign currency (including linked to foreign currency)	7,687	7,099	6,110	8.3	25.8
Non-monetary items	725	545	726	33.0	(0.1)
Total	**16,967**	**19,529**	**15,033**	**(13.1)**	**12.9**

Below is composition of Group securities portfolio by issuer type (NIS in millions):

	Carrying amount as of		
	March 31, 2022	March 31, 2021	December 31, 2021
Government bonds:			
Government of Israel	10,637	14,172	10,421
US Government	3,681	2,941	2,035
Total Government bonds	**14,318**	**17,113**	**12,456**
Bonds of financial institutions in Israel:			
Total bonds of financial institutions in Israel	**651**	**560**	**601**
Bonds of banks in developed nations:			
South Korea	65	105	67
USA	65	53	48
Other	80	63	62
Total bonds of banks in developed nations	**210**	**221**	**177**
Corporate bonds (by economic sector):			
Rental property	452	467	473
Power, gas, steam and air conditioning	180	138	179
Mining and excavation	91	78	95
Industrial – chemical industry	57	61	58
Construction	56	61	57
Other	192	252	205
Total corporate bonds	**1,028**	**1,057**	**1,067**
Asset-backed corporate bonds (ABS)			
Mining and excavation	33	29	4
Others	2	4	2
Total asset-backed corporate bonds (ABS)	**35**	**33**	**6**
Shares and other securities			
Investment in shares not held for trading	704	528	706
Of which: Shares for which no fair value is available(1)	410	256	414
Shares and other securities held for trading	21	17	20
Total shares and other securities	**725**	**545**	**726**
Total securities	**16,967**	**19,529**	**15,033**

(1) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

For more information about investments in securities, and about impairment of a temporary nature of securities available for sale, and details of the duration of such impairment and its rate as percentage of amortized cost, see Note 5 to the financial statements.

Buildings and equipment – the balance of buildings and equipment in the first quarter of 2022 decreased by NIS 0.3 billion. The decrease in balance of buildings and equipment is primarily due to sale of real estate properties; For more information see "Significant Events in the Bank Group's Business" above.

Deposits from the public – these account for 79% of total consolidated balance sheet as of March 31, 2022 compared to 78% as of December 31, 2021. In the first quarter of 2022, deposits from the public increased by NIS 4.7 billion, or by 1.5%.

Below is composition of deposits from the public by linkage segment (NIS in millions):

				Change in % compared to	
		March 31	December 31	March 31	December 31
	2022	2021	2021	2021	2021
Israeli currency					
Non-linked	235,628	222,172	233,149	6.1	1.1
CPI-linked	22,733	18,260	21,503	24.5	5.7
Foreign currency, including linked to foreign currency	54,292	53,220	53,272	2.0	1.9
Non-monetary items	-	114	-	-	-
Total	**312,653**	**293,766**	**307,924**	**6.4**	**1.5**

Below is data about composition of deposits from the public by supervisory operating segment (NIS in millions):

				Change in % compared to	
		March 31	December 31	March 31	December 31
	2022	2021	2021	2021	2021
Private individuals:					
Households – other	119,992	117,174	118,051	2.4	1.6
Private banking	22,048	20,900	21,664	5.5	1.8
Total individuals	**142,040**	**138,074**	**139,715**	**2.9**	**1.7**
Business operations:					
Small and micro businesses	52,510	47,104	50,247	11.5	4.5
Medium businesses	14,426	15,946	15,742	(9.5)	(8.4)
Large businesses	36,046	35,734	36,669	0.9	(1.7)
Institutional investors	63,118	52,643	61,365	19.9	2.9
Total business activity	**166,100**	**151,427**	**164,023**	**9.7**	**1.3**
Overseas activity	4,513	4,265	4,186	5.8	7.8
Total	**312,653**	**293,766**	**307,924**	**6.4**	**1.5**

For definition of supervisory operating segments and differences between supervisory operating segments and operating segments based on management approach – see chapter "Supervisory operating segments" below.

Below is development of composition of deposits from the public by depositor size for the Group (NIS in millions):

		March 31	December 31
	2022	2021	2021
Maximum deposit			
Up to 1	95,831	97,454	95,170
Over 1 to 10	80,011	75,182	78,746
Over 10 to 100	44,551	43,046	44,740
Over 100 to 500	34,872	38,081	36,591
Above 500	57,388	40,003	52,677
Total	**312,653**	**293,766**	**307,924**

For more information about composition of deposits from the public, see Note 7 to the financial statements.

Deposits from banks – The balance of deposits from banks as of March 31, 2022 amounted to NIS 6.9 billion, compared to NIS 7.0 billion as of December 31, 2021.

Bonds and subordinated notes – The balance of bonds and subordinated notes as of March 31, 2022 amounted to NIS 36.0 billion, a decrease by NIS 2.0 billion compared to the balance as of December 31, 2021. In the first quarter of 2022, bonds and subordinated notes were primarily affected by early redemption of subordinated capital note (Series A), for consideration amounting to NIS 2.1 billion. For more information see chapter "Developments in financing sources" above.

Capital, capital adequacy and leverage

Shareholder equity attributable to shareholders of the Bank – Shareholder equity attributable to equity holders of the Bank as of March 31, 2022 amounted to NIS 21.2 billion, compared to NIS 20.8 billion and NIS 19.4 billion as of December 31, 2021 and as of March 31, 2021, an increase by 2.1% and 9.1%, respectively.

Below is composition of shareholder equity (NIS in millions):

		March 31	December 31
	2022	2021	2021
Share capital and premium [1]	3,497	3,447	3,497
Capital reserve from benefit from share-based payment transactions	76	85	76
Cumulative other comprehensive loss[2][3]	(401)	(334)	(303)
Retained earnings [4]	18,027	16,224	17,500
Total	**21,199**	**19,422**	**20,770**

(1) For more information about share issuance, see "Condensed Statements of Changes in Shareholders' Equity".

(2) For more information about other comprehensive income (loss), see Note 4 to the financial statements.

(3) Includes actuarial obligation with respect to streamlining program for employee retirement, see Notes 22 and 25 to the 2021 financial statements.

(4) For more information about development of cumulative revenues and expenses to retained earnings in the reported period, see chapter "Material developments in revenues, expenses and other comprehensive income" above.

The ratio of shareholder equity to total assets for the Group as of March 31, 2022 was 5.38% compared to 5.29% as of December 31, 2021 and 5.24% as of March 31, 2021.

Capital adequacy

Supervisory capital

The Bank assesses its capital adequacy in conformity with Basel rules, as stipulated in Proper Conduct of Banking Business Directives 201-211. The Bank applies the standard approach to assess exposure to credit risk, operating risk and market risk.

Total capital is composed of two tiers: Tier I capital (including Tier I equity and Tier I additional capital) and Tier II capital.

Tier I capital primarily includes capital components attributed to shareholders of the Bank (accounting capital on the books) and non-controlling interest, and is the primary loss-absorption component.

Additional Tier I capital consists of equity instruments which fulfill the requirements specified in the directives. As of March 31, 2022, the Bank had no capital instruments included in additional Tier I capital.

Tier II capital consists of the group-based provision for credit losses and CoCo (Contingent Convertible) capital instruments, which include a provision for absorbing loss of principal when the Tier I Capital ratio drops below the specified quantitative trigger level, or upon receiving notice from the Supervisor of Banks, whereby activating the provision for absorbing loss of principal is required to ensure stability of the banking corporation (a Bank "non existence" event).

Subordinated notes, recognized as Tier II capital instruments in conformity with the previous directives, do not qualify as supervisory capital in conformity with current directives (primarily due to lack of loss-absorption mechanism) and are amortized over the term of transition provisions, through January 1, 2022. Therefore, in 2021 the cap for instruments qualifying as supervisory capital was at 10%, and as from January 1, 2022, transition provisions expired and non-qualifying capital instruments may no longer be recognized in supervisory capital.

Capital planning at the Bank

Capital planning in the normal course of business – The Bank prepares a detailed multi-annual forecast for capital planning, taking into account the following: Expected growth rate of risk assets and profitability, the strategic plan, dividend distribution policy, capital and leverage targets, appropriate safety margins and other factors.

The Bank regularly monitors actual vs. forecast results, and revises the forecast as needed, considering any required action to comply with the specified capital targets.

As part of capital management at the Bank, in March 2022 the Bank conducted, for the first time ever in Israel, a transaction whereby the Bank obtained insurance coverage from an international insurer for part of the residential mortgage portfolio. Obtaining this insurance has allowed the Bank to reduce the capital allocation with respect to the insured portfolio, based on the quality rating of the insurer, thereby making capital available, *inter alia*, for expansion of Bank business.

Sensitivity of Bank capital adequacy ratio to changes in Tier I equity and risk assets is as follows:

Changes to Tier I equity by NIS 100 million would cause a change in Tier I capital adequacy ratio by 0.04%. Change in risk assets by NIS 1 billion would cause a change in Tier I capital adequacy ratio by 0.04%.

Internal capital assessment process – As part of this process, the Bank reviews for existence of a sufficient capital absorption cushion to address the diverse risks associated with Bank operations, including stress scenarios.

The planning horizon is three years, during which the Bank challenges the capital planning using a range of stress scenarios that significantly impact Bank profitability, erode Bank capital and increase its risk assets. Results of the Bank's most recent capital planning indicate that the capital absorption buffer included in the minimum capital requirement in conformity with Bank of Israel directives is sufficient.

Consequently, the Bank stipulated that the Bank's target Tier I capital for capital planning would be as required by directives of the Supervisor of Banks, plus appropriate safety margins.

For more information see the Risks Report on the Bank website.

Ratio of capital to risk components

The Bank applies provisions for capital measurement and adequacy, based on Basel III provisions, as published by the Supervisor of Banks and as incorporated in Proper Conduct of Banking Business Directives 201-211. As per instructions of the Supervisor of Banks, the Bank is required to maintain a minimum Tier I equity ratio of no less than 9% and a minimum total equity ratio of no less than 12.5% of weighted total of risk components of its balance sheet assets and off-balance-sheet items. Calculation of total capital and total risk components is set forth in the directives.

An additional capital requirement was added to the Tier I equity ratio at 1% of the residential mortgage balance as of the report date.

Due to the Corona Virus outbreak and as part of adaptations of Proper Conduct of Banking Business Directives, the Supervisor of Banks issued Proper Conduct of Banking Business Directive 250 which includes, inter alia, an interim directive with regard to update to Directive 201, including reduction of regulatory capital requirements applicable to banks by one percentage point, and update to Directive 329, eliminating the capital requirements of one additional percentage point for residential mortgages for purchase of a residential apartment extended from March 19, 2020 through September 30, 2021 and for general purpose residential mortgages extended as from March 19, 2020.

During the crisis, the Supervisor of Banks issued updates extending the validity of the Interim Directive, and with regard to reduction of capital requirements, the Supervisor of Banks stipulated that this relief measure would apply through 24 months after expiration of the directive, provided that the banking corporation's capital ratios would not be lower than the capital ratios upon expiration of the directive, or the minimum capital ratios applicable to the banking corporation prior to the Interim Directive, whichever is lower. However, the circular stipulates that reduction of capital ratios by up to 0.3 percentage points within six months after expiration of the directive shall not be deemed a deviation from the foregoing.

On December 27, 2021, the Supervisor of Banks issues a circular whereby the Interim Directive would expire as from January 1, 2022. The Supervisor further revised Proper Conduct of Banking Business Directive 329 with regard to "Restrictions on residential mortgages", whereby the additional capital requirement at 1 percentage point would only apply to residential mortgages and would not apply to residential mortgages other than for purchasing interest in real estate and by mortgage on an apartment (hereinafter: "General-purpose loan").

For more information about issue and redemption of contingent subordinated notes (Contingent Convertibles – CoCo), see chapter "Developments in financing sources" above.

For more information about the draft circular concerning capital requirement with respect to loans to finance land, see chapter "Dividends" below.

For more information about the Board of Directors resolutions with regard to capital to risk components ratio and to dividend distribution policy, see Note 25 to the 2021 financial statements and the chapter "Dividends" below.

For more information see Note 9 to the financial statements.

Below is data about supervisory capital and risk assets (NIS in millions):

		As of March 31	As of December 31
	2022	**2021**	**2021**
Capital for purpose of calculating the capital ratio			
Tier I shareholders' equity	22,650	20,708	21,969
Tier I capital	22,650	20,708	21,969
Tier II capital	7,664	6,665	7,914
Total capital	**30,314**	**27,373**	**29,883**
Weighted risk asset balances			
Credit risk	209,711	188,340	202,611
Market risks	2,446	2,484	2,268
Operational Risk	14,144	13,112	13,831
Total weighted risk asset balances	**226,301**	**203,936**	**218,710**

Below is development of ratio of capital to risk assets for the Group (in percent):

	March 31, 2022	March 31, 2021	December 31, 2021
Ratio of Tier I equity to risk components	10.01	10.15	10.04
Ratio of total capital to risk components	13.40	13.42	13.66
Minimum Tier I equity ratio required by Supervisor of Banks	9.61	8.66	8.60
Total minimum capital ratio required by the directives of the Supervisor of Banks	12.50	11.50	11.50

Below is composition of risk assets and capital requirements with respect to credit risk by exposure group (NIS in millions):

	As of March 31, 2022		As of March 31, 2021		As of December 31, 2021	
Exposure group	**Weighted risk asset balances**	**Capital requirement(1)**	**Weighted risk asset balances**	**Capital requirement(2)**	**Weighted risk asset balances**	**Capital requirement(3)**
Debts of sovereigns	62	8	153	18	99	11
Debts of public sector entities	530	66	399	46	556	64
Debts of banking corporations	1,221	153	1,481	170	1,475	170
Securities companies	317	40	262	30	287	33
Debts of corporations	67,178	8,397	56,513	6,499	61,969	7,126
Debts secured by commercial property	5,673	709	6,766	778	6,099	701
Retail exposures to individuals	19,778	2,472	18,355	2,111	19,412	2,232
Loans to small businesses	10,076	1,260	10,388	1,195	9,776	1,124
Residential mortgages	95,715	11,964	85,221	9,800	93,992	10,809
Other assets	8,545	1,068	8,291	953	8,417	968
Total	**209,095**	**26,137**	**187,829**	**21,600**	**202,082**	**23,238**

Below are risk assets and capital requirements with respect to credit market risk, CVA risk and operational risk (NIS in millions):

	As of March 31, 2022		As of March 31, 2021		As of December 31, 2021	
	Weighted risk asset balances	**Capital requirement(1)**	**Weighted risk asset balances**	**Capital requirement(2)**	**Weighted risk asset balances**	**Capital requirement(3)**
Market risk	2,446	306	2,484	286	2,268	261
CVA risk with respect to derivatives(4)	616	77	511	59	529	61
Operational Risk(5)	14,144	1,768	13,112	1,508	13,831	1,591
Total	**17,206**	**2,151**	**16,107**	**1,853**	**16,628**	**1,913**
Total risk assets	**226,301**	**28,288**	**203,936**	**23,453**	**218,710**	**25,151**

(1) Capital requirement calculated at 12.5% of risk asset balances.

(2) Capital requirement calculated at 11.5% of risk asset balances. For more information about reduction of minimum capital ratios which banks are required to maintain in the normal course of business, by one percentage point, see Note 9 to the financial statements.

(3) Capital requirement calculated at 11.5% of risk asset balances. For more information about reduction of minimum capital ratios which banks are required to maintain in the normal course of business, by one percentage point, see Note 9 to the financial statements.

(4) Credit Value Adjustments – mark to market with respect to credit risk of counter-party, in conformity with Basel III provisions.

(5) Capital allocation with respect to operational risk was calculated using the standard approach.

Leverage ratio

The Bank applies Proper Conduct of Banking Business Directive 218 concerning "Leverage ratio", which adopts the Basel Committee recommendation with regard to leverage ratio.

The leverage ratio is reflected in percent, defined as the ratio of Tier I capital to total exposures. Total exposure for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items. According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.

Nevertheless, in conformity with Proper Conduct of Banking Business Directive 250 concerning "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus" which includes, inter alia, the interim directive issued on November 15, 2020 whereby banking corporations shall maintain a leverage ratio of 4.5% or higher on consolidated basis.

In conformity with the foregoing, the minimum leverage ratio required of the Bank is 4.5%.

With regard to reduced leverage requirements, the relief shall remain in effect through December 31, 2023, provided that the leverage ratio would be no less than the leverage ratio as of June 30, 2022, or the minimum leverage ratio applicable to the banking corporation prior to the Interim Directive, whichever is lower.

On May 15, 2022, the Supervisor of Banks issued another circular, whereby this relief shall apply through June 30, 2024, provided that the leverage ratio would be no less than the leverage ratio as of December 31, 2023, or the minimum leverage ratio applicable to the banking corporation prior to the Interim Directive, whichever is lower.

For more information see Note 9 to the financial statements.

Below is the Bank's leverage ratio:

	As of March 31		As of December 31
	2022	2021	2021
Consolidated data			
Tier I capital	22,650	20,708	21,969
Total exposure	426,244	401,308	423,950
			In %
Leverage ratio	5.31	5.16	5.18
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Leverage ratio	5.59	5.09	5.55
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
Union Bank Le-Israel Ltd. and its subsidiaries			
Leverage ratio	11.08	6.34	8.37
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50

Dividends

Dividend distribution policy

For more information about the Bank's current dividend distribution policy for 2021-2025, see chapter "Dividends" of the 2021 Report by the Board of Directors and Management.
According to the Bank's dividend policy, the Bank's capital ratios meet the conditions specified for dividend distribution as of March 31, 2022. However, on March 20, 2022, the Supervisor of Banks issued a draft update to Proper Conduct of Banking Business Directive 203, whereby loans designated for purchase of land for development or construction, with an LTV higher than 75% of value of the acquired property, shall carry a risk weighting of 150%, instead of 100%. The draft circular, as issued, applies this directive retroactively, including for loans extended in previous years. The expected impact of this circular, should it be eventually finalized as worded in the draft, although it may not be accurately estimated at this draft stage, is expected to reduce the Bank's capital ratios. Therefore, and in order to allow for continued future growth of the Bank and compliance with requirements of the draft directive, the Bank Board of Directors resolved to avoid dividend distribution with respect to earnings in the first quarter of 2022.

Dividend distribution

Below is information about dividend distributions by the Bank since 2020 (in reported amounts):

Declaration date	Payment date	Dividends per share	Dividends as percent of profit	Total dividends paid
		(Agorot)		(NIS in millions)
February 24, 2020	March 11, 2020	74.89	0.40	176.0
Total dividend distributions in 2020[(3)]				**176.0**
August 16, 2021	August 31, 2021	188.99	[(1)]0.30	483.0
November 15, 2021	November 30, 2021	293.47	[(2)]0.30	752.7
Total dividends distributed in 2021[(4)]				**1,235.7**
February 28, 2022	March 15, 2022	105.89	0.40	271.6

(1) Dividends rate as percentage of net profit in 2020.
(2) Dividends rate as percentage of net profit in the first nine months of 2021.
(3) Total dividends distributed with respect to 2020 earnings – NIS 483.0 million.
(4) Total dividends distributed with respect to 2021 earnings – NIS 752.7 million.

Other off-balance sheet activity

Below is development of off balance sheet monetary assets held on behalf of Bank Group clients, for which the Bank Group provides management, operating and/or custodial services (NIS in millions):

				Change in % compared to	
		March 31	December 31	March 31	December 31
	2022	2021	2021	2021	2021
Securities[(1)]	527,305	477,333	545,852	10.5	(3.4)
Assets of provident funds for which the Group provides operating services	129,463	103,051	125,960	25.6	2.8
Assets held in trust by Bank Group	79,387	69,296	78,783	14.6	0.8
Assets of mutual funds for which the Group provides operating services	12,846	10,730	13,564	19.7	(5.3)
Other assets under management[(2)]	17,700	15,202	17,732	16.4	(0.2)

(1) Value of securities portfolios for which the Bank is custodian, held by clients, including securities of provident funds and mutual funds for which the Group provides operating services. Note that client activity as presented includes, in addition to securities of mutual funds as aforesaid, also the value of participation units in said mutual funds held by Bank clients.

(2) Including:
–Loan balances secured by deposits whose repayment to the depositor is contingent upon collection of the loan balance. The Bank receives margin or commission revenues with respect to these balances.
– Other loans managed by the Bank, including residential mortgages which the Bank manages and operates for others.

Financial information by operating segment

According to the public reporting directive regarding supervisory operating segments, the Bank is required to provide, on its financial statements, disclosure with regard to supervisory operating segments in conformity with a uniform, comparable layout specified by the Supervisor of Banks; attribution to supervisory operating segments is typically determined by the turnover volume for clients (annual sales or annual revenues).

Supervisory operating segments are divided into operating segments of individuals and operating segments of business clients other than individuals (including institutional investors and financial management of the Bank).

Individuals are defined as persons with no indebtedness to the Bank or whose indebtedness is classified as indebtedness of "individuals – residential mortgages" and "other", in conformity with definitions of credit risk classification by economic sector.

The Bank's operating segment using the "management approach" are based on client assignment to the responsible organizational unit in the elapsed period.

However, client segmentation by supervisory operating segment is based on uniform definitions specified by the Supervisor of Banks, as set forth in Note 12 to the financial statements.

The attributes specified by management for client assignment to the responsible division are highly correlated with supervisory definitions.

However, in some cases it may be that by the "management approach", the final assignment of the client is based on other parameters, such as: A particular unit specializing in client activity type or experienced gained working with the client, which provides business and service advantages to assigning the client to that specific division.

In view of the Supervisor of Banks' requirement to discuss and analyze, in the Report of the Board of Directors and Management, the supervisory operating segments, and due to the correlation between supervisory segments and "management approach", the segment information (both qualitative and quantitative) is concisely presented below as follows:

Supervisory segment definition.

Explanation of differences between "supervisory" definition and how business is actually managed (under "management approach").

Segment financial results (under "supervisory approach").

For more information about principles used to attribute balances, revenues and expenses to clients, see Note 12 to the financial statements.

For more information and detailed description of the segments, see chapter "Other information about the Bank and its management" of the 2021 annual report.

Financial information by supervisory operating segment

Below are summary financial results of supervisory operating segments (NIS in millions):

	Net profit		Percentage of total net profit	
	Three months		Three months	
	2022	2021	2022	2021
Private individuals:				
Households – residential mortgages	270	255	15.0	5.9
Households – other	(14)	(6)	(8.0)	-
Private banking	17	21	(4.0)	(19.0)
Total individuals	**273**	**270**	**3.0**	**1.1**
Business operations:				
Small and micro businesses	120	130	(10.0)	(7.7)
Medium businesses	55	27	28.0	-
Large businesses	63	33	30.0	90.9
Institutional investors	5	15	(10.0)	(66.7)
Total business activity	**243**	**205**	**38.0**	**18.5**
Financial management	613	178	435.0	-
Total activity in Israel	**1,128**	**653**	**475.0**	**72.7**
Overseas activity	26	23	3.0	13.0
Total	**1,154**	**676**	**478.0**	**70.7**

For more information about operating results under "management approach", see Note 12 to the financial statements.

Household Segment

Supervisory definition

According to the supervisory definition, the household segment includes individuals other than clients included under the private banking segment. That is to say, this segment excludes individuals with total financial assets in excess of NIS 3 million. Individuals are defined as persons with no indebtedness to the Bank or whose indebtedness is classified as indebtedness of "individuals – residential mortgages" and "other", in conformity with definitions of credit risk classification by economic sector.

Differences between management approach and supervisory definition

- Certain individual clients classified under the private banking segment according to the management approach, are classified under the household segment according to the supervisory segment approach. The difference is primarily due to total financial assets of the clients used for client classification – the Bank threshold for classification of clients by the management approach is NIS 1 million, lower than the supervisory definition.
- In general, individual clients are assigned to the household segment. According to the supervisory approach, individual clients with high indebtedness or with business features are classified under business operating segments, rather than under the household segment.

Operating results in the household segment

	For the three months ended March 31					
	2022			2021		
	NIS in millions					
	Other	Residential mortgages	Total	Other	Residential mortgages	Total
Profit and profitability						
Total interest revenues, net	362	603	965	361	535	896
Non-interest financing revenues	-	-	-	-	-	-
Commissions and other revenues	190	36	226	174	36	210
Total revenues	**552**	**639**	**1,191**	**535**	**571**	**1,106**
Expenses (income) with respect to credit losses	5	14	19	(7)	(23)	(30)
Operating and other expenses	551	225	776	527	211	738
Profit before provision for taxes	(4)	400	396	15	383	398
Provision for taxes	(1)	130	129	5	128	133
After-tax profit	(3)	270	267	10	255	265
Net profit (loss):						
Attributable to non-controlling interests	(11)	-	(11)	(16)	-	(16)
Attributable to shareholders of the banking corporation	**(14)**	**270**	**256**	**(6)**	**255**	**249**
Balance sheet – key items:						
Loans to the public (end balance)	26,861	182,090	208,951	25,609	159,734	185,343
Loans to the public, net (end balance)	26,498	181,311	207,809	25,320	158,816	184,136
Deposits from the public (end balance)	119,992	-	119,992	117,174	-	117,174
Average balance of loans to the public	25,234	178,567	203,801	24,414	158,195	182,609
Average balance of deposits from the public	119,576	-	119,576	115,960	-	115,960
Average balance of risk assets	23,578	102,781	126,359	22,421	91,908	114,329
Credit spreads and deposit spreads:						
Margin from credit granting operations	243	578	821	238	511	749
Margin from activities of receiving deposits	117	-	117	115	-	115
Other	2	25	27	8	24	32
Total interest revenues, net	**362**	**603**	**965**	**361**	**535**	**896**

Contribution of the household segment (in conformity with the supervisory definitions) to Group profit in the first quarter of 2022 amounted to NIS 256 million, compared to NIS 249 million in the corresponding period last year.

Change in segment contribution is primarily due to the following:

Contribution of the residential mortgage segment (including general-purpose loans secured by a lien on a residential apartment) in the first quarter of 2022 amounted to net profit of NIS 270 million, compared to NIS 255 million in the corresponding period last year. The increase is primarily due to continued growth in activity: Increase by NIS 68 million in financing revenues, due to an increase by 12.9% in average loan balances in this segment. Segment contribution was offset against the effect of increase in expenses with respect to credit losses, to NIS 14 million, compared to revenues of NIS 23 million in the corresponding period last year, primarily due to adjustment of the group-based provision due to growth in the Bank's residential mortgage portfolios.

Contribution of other household operations (other than residential mortgages) in the first quarter of 2022 amounted to a loss of NIS 14 million, compared to loss of NIS 6 million in the corresponding period last year.

The change was primarily due to increase in expenses with respect to credit losses, which amounted to an expense of NIS 5 million in the first quarter of 2022, compared to revenue of NIS 7 million in the corresponding period last year, and to increase in commissions and other revenues by NIS 16 million.

For more details and extensive information about results of this segment and operating results in conformity with management's approach – see Note 12 to the financial statements.

Private Banking Segment

Supervisory definition

According to the supervisory definition, the private banking segment includes individuals whose financial asset portfolio at the Bank (including monetary deposits, securities portfolios and other financial assets) exceeds NIS 3 million.

Differences between management approach and supervisory definition

- Certain individual clients classified under the private banking segment according to the management approach, are classified under the household segment according to the supervisory segment approach. The difference is primarily due to total financial assets of the clients used for client classification – the Bank threshold for classification of clients by the management approach is NIS 1 million, lower than the supervisory definition.
- According to management approach, the private banking segment also includes businesses with liquid assets in excess of NIS 8 million. According to the supervisory segment approach, these clients are classified under business operating segments.

Operating results in the private banking segment

	For the three months ended March 31	
	2022	2021
	NIS in millions	
Profit and profitability		
Total interest revenues, net	23	23
Non-interest financing revenues	-	-
Commissions and other revenues	6	16
Total revenues	**29**	**39**
income with respect to credit losses	(1)	(3)
Operating and other expenses	5	11
Profit (loss) before provision for taxes	25	31
provision for taxes	8	10
Net profit	**17**	**21**
Balance sheet – key items:		
Loans to the public (end balance)	120	212
Loans to the public, net (end balance)	120	208
Deposits from the public (end balance)	22,048	20,900
Average balance of loans to the public	116	307
Average balance of deposits from the public	21,783	20,495
Average balance of risk assets	70	145
Credit spreads and deposit spreads:		
Margin from credit granting operations	1	1
Margin from activities of receiving deposits	21	19
Other	1	3
Total interest revenues, net	**23**	**23**

Operating results of the private banking segment (in conformity with the supervisory definitions) in the first quarter of 2022 amounted to profit of NIS 17 million, compared to profit of NIS 21 million in the corresponding period last year.

For more details and extensive information about results of this segment and operating results in conformity with management's approach – see Note 12 to the financial statements.

Small and micro business segment

Supervisory definition

The micro and small business segment includes businesses with annual turnover below NIS 50 million.

Differences between management approach and supervisory definition

- According to management approach, business clients with liquid assets in excess of NIS 8 million are assigned to the private banking segment. According to the supervisory segment approach, these clients are classified under small and micro business segment based on their annual business turnover.
- Business clients currently attributed to commercial banking using the management approach and whose annual turnover is lower than NIS 50 million, are classified to the micro and small business segment using the supervisory approach.

Operating results in the small and micro business segment

	For the three months ended March 31	
	2022	**2021**
	NIS in millions	
Profit and profitability		
Total interest revenues, net	357	344
Non-interest financing revenues	-	2
Commissions and other revenues	145	121
Total revenues	**502**	**467**
Expenses with respect to credit losses	43	16
Operating and other expenses	280	254
Profit before provision for taxes	179	197
Provision for taxes	58	66
After-tax profit	**121**	**131**
Net profit attributed to non-controlling interests	(1)	(1)
Net profit attributable to shareholders of the banking corporation	**120**	**130**
Balance sheet – key items:		
Loans to the public (end balance)	32,163	29,241
Loans to the public, net (end balance)	31,355	28,668
Deposits from the public (end balance)	52,510	47,104
Average balance of loans to the public	31,338	29,635
Average balance of deposits from the public	51,707	45,690
Average balance of risk assets	27,966	27,714
Credit spreads and deposit spreads:		
Margin from credit granting operations	308	286
Margin from activities of receiving deposits	36	30
Other	13	28
Total interest revenues, net	**357**	**344**

Contribution of the small and micro business segment (in conformity with the supervisory definitions) to Group profit in the first quarter of 2022 amounted to NIS 120 million, compared to NIS 130 million in the corresponding period last year.

The change in segment contribution was primarily due to increase in expenses with respect to credit losses, which in the first quarter of 2022 amounted to expenses of NIS 43 million, compared to expenses of NIS 16 million in the corresponding period last year. The provision for credit losses is primarily due to adjustment of the group-based provision for growth in the loan portfolio, compared to the corresponding period last year, when the provision was primarily affected by the gradual emergence from the Corona Virus crisis.

Increase in interest revenues, net, in commissions and other revenues and in operating expenses is due to growth in current operations.

For more details and extensive information about results of this segment and operating results in conformity with management's approach – see Note 12 to the financial statements.

Medium business segment

Supervisory definition

The medium business segment includes businesses with annual turnover from NIS 50 million to NIS 250 million.

Differences between management approach and supervisory definition

- The commercial banking segment, according to management approach, includes businesses with turnover between NIS 30 million and NIS 120 million. This means that some commercial banking clients (under management approach) whose turnover is below NIS 50 million are classified to the micro and small business segment using the supervisory operating segments.
- On the other hand, business clients attributed to the business banking segment using the management approach and whose annual turnover is lower than NIS 250 million, are attributed to the medium business segment using the supervisory approach.
- In general, in recent years new clients are classified in conformity with the supervisory definition, resulting in better alignment of the management approach with the supervisory approach, as noted above.

Operating results of medium business segment

	For the three months ended March 31	
	2022	**2021**
	NIS in millions	
Profit and profitability		
Total interest revenues, net	93	85
Non-interest financing revenues (expenses)	-	-
Commissions and other revenues	26	26
Total revenues	**119**	**111**
Expenses (income) with respect to credit losses	(19)	16
Operating and other expenses	57	54
Profit before provision for taxes	81	41
Provision for taxes	26	14
Net profit	**55**	**27**
Balance sheet – key items:		
Loans to the public (end balance)	11,573	9,934
Loans to the public, net (end balance)	11,363	9,688
Deposits from the public (end balance)	14,426	15,946
Average balance of loans to the public	10,313	9,369
Average balance of deposits from the public	14,762	15,281
Average balance of risk assets	13,259	11,541
Credit spreads and deposit spreads:		
Margin from credit granting operations	80	71
Margin from activities of receiving deposits	10	11
Other	3	3
Total interest revenues, net	**93**	**85**

Operating results of the medium business segment (in conformity with the supervisory definitions) in the first quarter of 2022 amounted to profit of NIS 55 million, compared to profit of NIS 27 million in the corresponding period last year.

The change in segment contribution was primarily due to decrease in revenues with respect to credit losses, which in the first quarter of 2022 amounted to expenses of NIS 19 million, compared to expenses of NIS 16 million in the corresponding period last year. The provision for credit losses is primarily due to adjustment of the group-based provision for growth in the loan portfolio, compared to the corresponding period last year, when the provision was primarily affected by the gradual emergence from the Corona Virus crisis.

Increase in interest revenues, net, in commissions and other revenues and in operating expenses is due to growth in current operations.

For more details and extensive information about results of this segment and operating results in conformity with management's approach – see Note 12 to the financial statements.

Large business segment

Supervisory definition

The large business segment includes businesses with annual turnover in excess of NIS 250 million.

Differences between management approach and supervisory definition

- The business banking segment, according to management approach, includes businesses with turnover in excess of NIS 120 million. This means that some business banking clients (under the management approach) whose turnover is below NIS 250 million are classified to the medium business segment using the supervisory approach.
- Institutional investors, which according to management approach are managed under business banking, are presented as a separate segment according to supervisory operating segments.
- In general, in recent years new clients are classified in conformity with the supervisory definition, except for institutional investors, as noted above, resulting in better alignment of the management approach with the supervisory approach, as noted above.

Operating results of large business segment

	For the three months ended March 31	
	2022	**2021**
	NIS in millions	
Profit and profitability		
Total interest revenues, net	155	139
Non-interest financing revenues	1	3
Commissions and other revenues	56	38
Total revenues	**212**	**180**
Expenses with respect to credit losses	30	35
Operating and other expenses	88	95
Profit before provision for taxes	94	50
Provision for taxes	31	17
Net profit	**63**	**33**
Balance sheet – key items:		
Loans to the public (end balance)	25,885	21,082
Loans to the public, net (end balance)	25,554	20,743
Deposits from the public (end balance)	36,046	35,734
Average balance of loans to the public	23,512	20,640
Average balance of deposits from the public	35,223	37,059
Average balance of risk assets	34,754	29,259
Credit spreads and deposit spreads:		
Margin from credit granting operations	129	124
Margin from activities of receiving deposits	17	12
Other	9	3
Total interest revenues, net	**155**	**139**

Contribution of the large business segment (in conformity with the supervisory definitions) in the first quarter of 2022 amounted to profit of NIS 63 million, compared to NIS 33 million in the corresponding period last year.

The increase is primarily due to continued growth in business activity: Increase by NIS 32 million in financing revenues, due to an increase by 13.9% in average loan balances in this segment.

For more details and extensive information about results of this segment and operating results in conformity with management's approach – see Note 12 to the financial statements.

Institutional investors segment

Supervisory definition

This segment includes provident funds, pension funds, study funds, mutual funds, ETFs, insurance companies and stock exchange members which manage client funds.

Differences between management approach and supervisory definition

According to management approach, institutional investors are managed under business banking and under the financial management segment; According to supervisory operating segments, they are presented as a separate segment.

Operating results of institutional investors segment

	For the three months ended March 31	
	2022	**2021**
	NIS in millions	
Profit and profitability		
Total interest revenues, net	34	24
Non-interest financing revenues	-	2
Commissions and other revenues	15	14
Total revenues	**49**	**40**
Expenses (income) with respect to credit losses	4	(19)
Operating and other expenses	38	36
Profit before provision for taxes	7	23
Provision for taxes	2	8
Net profit	**5**	**15**
Balance sheet – key items:		
Loans to the public (end balance)	2,005	2,231
Loans to the public, net (end balance)	1,999	2,219
Deposits from the public (end balance)	63,118	52,643
Average balance of loans to the public	2,006	1,548
Average balance of deposits from the public	59,774	47,181
Average balance of risk assets	1,476	2,516
Credit spreads and deposit spreads:		
Margin from credit granting operations	7	5
Margin from activities of receiving deposits	18	14
Other	9	5
Total interest revenues, net	**34**	**24**

Contribution of the institutional investors segment (in conformity with the supervisory definitions) in the first quarter of 2022 amounted to profit of NIS 5 million, compared to NIS 15 million in the corresponding period last year.

The increase in profit is primarily due to expenses with respect to credit losses amounting to NIS 4 million in the first quarter of 2022, compared to revenues amounting to NIS 19 million in the corresponding period last year.

For more details and extensive information about results of this segment and operating results in conformity with management's approach – see Note 12 to the financial statements.

Financial management segment

Supervisory definition

The financial management segment includes trading operations, asset and liability management and non-banking investments.
Trade operations – Investment in securities held for trading, market making operations for securities, operations involving derivatives not designated as hedges and which are not part of asset and liability management for the Bank, borrowing of securities for trading, short selling of securities, underwriting services for securities.
Asset and liability management – including investment in bonds available for sale and in bonds held to maturity, hedging using derivatives, ALM hedging, currency hedging of investments overseas.
Real investments – Investment in shares available for sale and in associated companies of businesses.
Other financial management operations – management, operation, trust and custody services for banks, sale and management of loan portfolios.

Differences between management approach and supervisory definition

According to management approach, institutional investors are managed under the financial management segment; According to supervisory operating segments, they are presented as a separate segment.

Operating results of financial management segment

	For the three months ended March 31	
	2022	**2021**
	NIS in millions	
Profit and profitability		
Interest revenues (expenses), net	463	131
Non-interest financing revenues	115	182
Commissions and other revenues	473	112
Total revenues	**1,051**	**425**
Expenses with respect to credit losses	-	-
Operating and other expenses	126	130
Profit before provision for taxes	925	295
Provision (reduction of provision) for taxes	301	99
After-tax profit	624	196
Share of banking corporation in earnings of associated companies	1	(12)
Net profit before attribution to non-controlling interests	625	184
Net profit attributed to non-controlling interests	(12)	(6)
Net profit (loss) attributable to shareholders of the banking corporation	**613**	**178**
Balance sheet – key items:		
Average balance of risk assets	13,044	11,896
Credit spreads and deposit spreads:		
Margin from credit granting operations	-	-
Margin from activities of receiving deposits	-	-
Other	463	131
Total interest revenues, net	**463**	**131**

Operating results of the financial management segment (in conformity with supervisory definitions) in the first quarter of 2022 amounted to a profit of NIS 613 million, compared to a profit of NIS 178 million in the corresponding period last year.

The increase in segment results is primarily due to increase in financing revenues, primarily due to the effect of the Consumer Price Index, and the effect of accounting treatment of derivative instruments at fair value.

See also analysis of developments in financing revenues, under chapter "Material developments in revenues, expenses and other comprehensive income".

Other revenues in this segment also include capital gain amounting to NIS 279 million from realized real estate properties in the first quarter of 2022.

For more details and extensive information about results of this segment and operating results in conformity with management's approach – see Note 12 to the financial statements.

Overseas activity

Supervisory definition

Overseas activity of the Bank is presented separately, divided into activity by individuals and business activity.

Differences between management approach and supervisory definition

Business clients and individual clients at overseas branches, classified under various operating segments based on the management approach, are classified under the overseas activity segment in disclosure of supervisory operating segments.

Business clients and individual clients at overseas branches are presented as a separate segment under supervisory operating segments, and according to management approach are managed under different operating segments – primarily private banking and corporate banking.

Operating results overseas

	For the three months ended March 31	
	2022	**2021**
	NIS in millions	
Profit and profitability		
Total interest revenues, net	54	49
Non-interest financing revenues	1	-
Commissions and other revenues	5	6
Total revenues	**60**	**55**
Expenses (income) with respect to credit losses	3	(2)
Operating and other expenses	18	23
Profit before provision for taxes	39	34
Provision for taxes	13	11
Net profit	**26**	**23**
Balance sheet – key items:		
Loans to the public (end balance)	4,760	3,914
Loans to the public, net (end balance)	4,718	3,877
Deposits from the public (end balance)	4,513	4,265
Average balance of loans to the public	4,373	3,421
Average balance of deposits from the public	4,495	4,407
Average balance of risk assets	5,578	4,810
Credit spreads and deposit spreads:		
Margin from credit granting operations	96	27
Margin from activities of receiving deposits	6	3
Other	(48)	19
Total interest revenues, net	**54**	**49**

Contribution of overseas operations to Group profit in the first quarter of 2022 amounted to NIS 26 million, compared to NIS 23 million in the corresponding period last year.

The increase is primarily due to excess financing revenues resulting from increase in current operations.

For more details and extensive information about results of this segment and operating results in conformity with management's approach – see Note 12 to the financial statements.

Principal investee companies

Contribution of investee companies to net operating profit in the first quarter of 2022 amounted to NIS 241 million, compared to NIS 101 million in the corresponding period last year. These data include effects of changes in exchange rates on investment balances in overseas investee companies, covered by the Bank itself.

Excluding the aforesaid effect of exchange rates, contribution of investee companies amounted to NIS 237 million, compared to NIS 101 million in the corresponding period last year – see explanation under "Investee companies" below.

Union Bank Le-Israel Ltd. (hereinafter: " Union Bank")

Union Bank is a banking corporation, operating in conformity with a Bank license pursuant to provisions of the Banking Law (Licensing), 1981.

On September 30, 2020, the transaction between controlling shareholders of Union Bank and Bank Mizrahi-Tefahot closed, whereby shares of Union Bank held by the controlling shareholders were acquired against issuance of Mizrahi Tefahot shares and acquisition of the other shareholders' shares has been completed. As from this date, the Bank holds all of the share capital of Union Bank and therefore the Bank has control over Union Bank. For more information, see Note 35 to the 2021 financial statements.

Contribution of Union Bank to Group profit in the first quarter of 2022 amounted to NIS 212 million (Union Bank profit includes, other than current profit, also capital gain from realized properties) and NIS 54 million with respect to deferred credit balance recognized with respect to acquisition of Union Bank, which is recognized on profit and loss over 5 years as from the fourth quarter of 2020.

Bank Yahav's reported total assets as of March 31, 2022 amounted to NIS 27,592 million, compared to NIS 34,620 million as of December 31, 2021 – a decrease by NIS 7,028 million, or 20.3%. Net loans to the public reported as of March 31, 2022 amounted to NIS 16,297 million, compared to NIS 18,592 million as of December 31, 2021 – a decrease by NIS 2,295 million, or 12.3%, net deposits from the public reported as of March 31, 2022 amounted to NIS 16,615 million, compared to NIS 24,822 million as of December 31, 2021 – a decrease by NIS 8,207 million, or 33.1%, due to gradual transfer of lending operations from Union Bank to Mizrahi Tefahot.

Bank Yahav for Government Employees Ltd. (hereinafter: "Bank Yahav")

Bank Yahav is a banking corporation, operating in conformity with a Bank license pursuant to provisions of the Banking Law (Licensing), 1981.

The Group's share of Bank Yahav's net profit in the first quarter of 2022 amounted to NIS 24 million, compared to NIS 23 million in the corresponding period last year. Bank Yahav's net profit return on equity in the first quarter of 2022 was 10.0% on annualized basis, compared to return of 10.7% in the corresponding period last year.

Bank Yahav's balance sheet total as of March 31, 2022 amounted to NIS 34,491 million, compared to NIS 33,759 million as of December 31, 2021 – an increase by NIS 732 million, or 2.2%. Net loans to the public as of March 31, 2022 amounted to NIS 11,266 million, compared to NIS 11,129 million as of December 31, 2021 – an increase by NIS 137 million, or 1.2%. Net deposits from the public as of March 31, 2022 amounted to NIS 30,737 million, compared to NIS 29,991 million as of December 31, 2021 – an increase by NIS 746 million, or 2.5%.

Tefahot Insurance Agency (1989) Ltd. (hereinafter: "Tefahot Insurance agency")

Tefahot Insurance agency is an insurance agency wholly-owned by the Bank, engaged in sale of life insurance and property insurance policies to mortgage clients of the Bank. In the first quarter of 2022, net profit of Tefahot Insurance agency amounted to NIS 18 million, compared to NIS 16 million in the corresponding period last year.

Net profit return on equity in the first quarter of 2022 was 5.6%, compared to 5.5% in the corresponding period last year.

Other investee companies operating in Israel

Other investee companies operating in Israel, wholly controlled by the Bank and supported by Bank infrastructure, contributed to the Bank's net profit in the first quarter of 2022 NIS 3 million – compared to NIS 7 million in the corresponding period last year.

Investments in shares

The Bank manages nostro investments in shares. Shares in which the Bank invested are presented as shares not held for trading and as shares and other securities in the Bank's securities portfolio and under investment in associated companies, where the Bank has a material investment in such entity.

Under investments (which are not negotiable and have no available fair value), generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer. Other investments (negotiable and with fair value available) are presented at market value thereof, and unrealized changes to fair value are recognized on the statement of profit and loss.

Bank investments in shares as of March 31, 2022 amounted to NIS 834 million, compared to NIS 563 million and NIS 795 million as of March 31, 2021 and as of December 31, 2021, respectively. Bank net gain from investment in shares in the first quarter of 2022 amounted to NIS 115 million, compared to NIS 45 million in the corresponding period last year.

For more information about investments in shares not held for trading, see Note 5 to the financial statements.

Risks overview

This chapter provides a concise overview and analysis of developments of key risks to which the Bank is exposed. This chapter should be read, as needed, in conjunction with the chapter "Risks overview" in the 2021 audited annual financial statements. A detailed Risks Management Report which includes disclosure requirements of Basel Pillar 3 and additional information about risks, provided based on recommendations by the Financial Stability Board (FSB) is provided on the Bank website.

Risk development and management

Bank and Group current business activity in diverse on- and off-balance sheet products and financial instruments is exposed to various financial and non-financial risks, whose materialization has potential to impact the Bank's financial results or image. The key financial risks managed by the Bank are: Credit risk, including concentration risk, liquidity risk and market and interest risk. Along with financial risks, Bank operations are also involved with non-financial risks, such as: compliance and regulatory risk, operational Risk, IT risk, information and cyber security risk, legal risk, reputational risk and other risks, such as environmental risk, business model risk and competition in the sector. The risks management and control policies, in various aspects, is designated to support achievement of the Group’s business goals while limiting exposure to such risks. Risks management and control processes at the Bank and at the Group are designed to identify, manage, monitor, quantify and mitigate all material risks associated with Bank operations and to support achievement of the Bank's business objectives.

The Bank's risk profile remains unchanged from previous quarters. Note that since the start of 2021, the economy has improved significantly, as reflected by key benchmarks (such as: lower inflation rate and higher growth rate in 2021), with the recovery evident across all economic sectors.

In the first quarter of 2022, the overall effect of credit risk and risk associated with quality of borrowers and collateral remained Medium due to conflicting trends in this period: On the one hand, risk inherent in the Corona Virus crisis has decreased, and its impact on the economy appears to be limited in scope. On the other hand, the Russia-Ukraine crisis is deteriorating, its end is not in sight and it may negatively impact the global economy, including Israel, in addition to inflationary pressures which resulted in higher interest rates in Israel and world-wide.

Corona Virus crisis

As from January 2022, due to the Omicron variant outbreak, the Bank applied measures to address this occurrence, including the following: Dissemination of work guidelines and maintaining hygiene and social distancing, splitting units and branches, transition to capsule-based work, creating an outline for working remotely by means of a fast, structured process, distribution of protective measures and so forth. Concurrently, the Bank monitors cases of morbidity or infection at branches and at headquarters units. Business units continue to keep in close regular contact with clients, in order to help the business sector face the challenges resulting from this crisis.

In the first quarter of 2022, the Bank maintained business continuity under an increased state of alert. The state of alert was raised in the first quarter of 2022 as the Omicron variant outbreak proliferated. In April 2022, as morbidity rates decreased and with reduced restrictions pursuant to Ministry of Health policy, the Bank lowered its state of alert to "Routine". However, the Bank continues to follow and monitor the state of morbidity at the Bank and maintains all emergency systems on alert in case of escalation.

Ukraine crisis

On February 24, 2022, a military conflict broke out between Russia and the Ukraine. At this stage it is not possible to assess how this conflict would develop and any it may have on markets and economic activity, including of Bank clients. Bank management monitors the developments and would take action as required. The Bank monitors the sanction list published with regard to this conflict by the USA, EU and the UK and applies these as part of the Bank's risk management policy.

Union Bank merger

On September 30, 2020, the transaction whereby the Bank acquired the shares of Union Bank closed. The merger transaction is a material, large-scale and highly complex process which entails a wide range of risks. The merger process was launched in the fourth quarter of 2020 and is carried out by several extensive joint work teams of Bank Mizrahi Tefahot and Union Bank, managed by a steering committee headed by the Bank President & CEO, with administrations established to carry out the merger plan and a special Board committee established to supervise this process. Risk management is an integral and dynamic part of all work teams, and the Group's Chief Risks Officer reviews and integrates all risks of the merger process and the measures applied to reduce and manage such risk. The process of client transition started in the second quarter of 2021 and is gradual, as the number of branches and clients is expanded. The Bank's Risk Control Division and Internal Audit regularly accompany and conduct control and lesson learning processes. Accompanying the Union Bank merger process includes current management of the risk map, applying comprehensive second-line operating controls and regular quarterly review of the status of all comprehensive controls applied by the various lines of defense at Bank Mizrahi Tefahot and at Union Bank. Risks Control also conducts a comprehensive process of lesson learning upon completing each conversion round; the conclusions from this process are brought for discussion by Bank management, by the Union Bank Merger Board committee and are submitted to the Bank of Israel.

As part of preparations for the merger, both banks are acting to convert clients from Union Bank to the Bank, and to transfer various activities of Union Bank to the Bank. As a result of the merger, most Union Bank branches are expected to close.

Union Bank has a long-standing contract with Bank Leumi for obtaining IT and operating services, which has been extended from time to time. On May 12, 2020, the Board of Directors of Union Bank approved contracting an addendum to the agreement, whereby the parties agreed, inter alia, that the agreement would be extended through December 31, 2022.

The Technology Division runs a program consisting of multiple projects designed to transfer Union Bank activity that is based on Bank Leumi and Union Bank systems and integrating them with the Bank's systems. These projects include conversion of clients, products, historical information, reports and so forth.

The Bank manages the merger project gradually and separately from current business, in order to allow for achievement of the work plan targets concurrently with the merger process.

Update to Proper Conduct of Banking Business Directive 451 regarding "Procedures for extending residential mortgages"

On January 31, 2022, the Bank of Israel issued an update regarding procedures for extending residential mortgages (update to Proper Conduct of Banking Business Directive 451), designed to enhance transparency and to aid clients in making informed decisions in the process of obtaining a mortgage. The update to the Directive refers to multiple aspects, including: Simplicity to enhance client understanding, transparency and uniformity of information for the client, to enable comparison of offers from multiple banks, online tools to be used by the client and shorter time frame for providing approval in principle.

The Directive specifies 3 uniform baskets which banking corporations are required to offer to clients in the approval in principle, and the bank is allowed to offer one or more tracks without restrictions imposed by the Bank of Israel. based on the bank's discretion as to the mix appropriate for the client. The amendments to the directive also include an instruction to banking corporations to provide to the public an online calculator which allows for simulation of various loan mixes over various time frames, including the uniform tracks stipulated in the directive, so as to obtain an estimate of the impact of changes to the loan mix on the monthly payment and total amount payable throughout the loan term. Calculated loan repayments would include estimated effect of inflation and interest rate updates under the variable interest tracks, in conformity with forecasts based on the capital market with regard to future developments of these parameters.

The effective start date of amendments to this directive is August 31, 2022 and the Bank is preparing for implementation of this directive in various business and operating aspects.

Discontinuation of publication of LIBOR interest rates

In conformity with the issue of ICE notice of discontinuation of publication of LIBOR interest rates for all currencies other than USD at the end of 2021, and issue of the Bank of Israel directive (Proper Conduct of Banking Business Directive 250A), the Bank has specified alternative underlying interest rates and has informed the clients of this, both through individual contact with relevant clients and through publications on the Bank website.

Risks description

The Bank is engaged in commercial banking operations (business and retail) and in mortgage operations, where the Bank is a leader in the Israeli banking system.

Credit risk is the primary risk faced by banking corporations in the course of their business. At the Bank, credit risk is primarily due to retail credit operations, mainly residential mortgages, which are typically associated with relatively low risk. The Bank monitors and manages risk in the loan portfolio using various tools, including by development and deployment of internal models for assessment of client credit ratings. For more details see chapter "Credit risk" below.

In the business sector, the Bank operates while regularly assessing risk at client level, at sector level and for the economy as a whole (sector concentration). Operations in this area have been affected in recent years by expanded operations of institutional investors and insurance companies, which are focused on providing large-scale credit for long terms.

In conformity with the Supervisor of Banks' directives, the minimum regulatory required liquidity coverage ratio is 100%. The Bank maintains high liquidity ratios with appropriate safety margins and a stable source structure.

The Bank has low exposure to overseas operations, as are its operations in nostro investments, primarily designed for investment of excess liquidity in high-quality assets with minimal credit risk.

Developments in technology and ever increasing sophistication of those involved in cyber attacks result in higher risk, as well as more intense management and monitoring of operational risks, IT risks and information and cyber security risks.

The Bank has in place an extensive framework for management and control of the risks to which the Bank is exposed, including an organizational structure to support management and control of such risks. Risks management at the Group is conducted from a comprehensive viewpoint of Bank operations in Israel and at overseas affiliates and in conformity with directives of the Supervisor of Banks with regard to risk management and control, as set forth in Proper Conduct of Banking Business Directives and in particular, in Directive 310 "Risk management" by the Bank of Israel, and in conformity with the framework set forth in Basel Pillar II, including the required changes as Basel III became effective.

The Bank's Board of Directors and the Board's Risks Management Committee are responsible for setting the required principles for management and control of the various risks to which the Bank is exposed in its operations, including setting risk strategy and setting the risk appetite in conformity with the Bank's overall strategy, as well as supervision of Bank compliance with the specified guidelines and risk appetite.

Bank management is committed to regular management of material risks to which the Bank is exposed and to implementation of principles stipulated by the Bank's Board of Directors for addressing such risks.

The Bank has a structured process in place for mapping and identification of risks associated with Bank operations, based on a materiality threshold, expressed in terms of percentage of Bank capital. Guidelines for handling of material risks, as identified and mapped, including risk appetite, measurement, management and mitigation of each risk, are included in special policies documents.

Description of risk appetite and risks management

The risk appetite defines, at the highest level, the overall risk level which the Bank is willing to assume. The risk appetite specifies where the Bank wishes to be in terms of return (proceeds/reward) vs. risk (cost) from a forward-looking viewpoint. The Bank's risk appetite is specified for all material risks using quantitative and qualitative restrictions; the quantitative restrictions are mostly specified as percentage of Tier I shareholder equity at the Bank. Risk appetite is defined for most risks in the normal course of business and under stress scenarios, based on the outcome of various stress scenarios applied by the Bank, and in line with the Bank's risk strategy and on basic principles of the Bank's business and strategic plan and on the required liquidity and capital for achieving the strategic objectives. Each year, the risk appetite is challenged by the Chief Risks Officer, management and the Board of Directors, in view of the business targets specified in work plans, in conformity with the strategic plan, the risk profile and outcome of the qualitative risk management assessment process conducted by Bank managers. This process is designed to review the level of various risks and their expected development over the coming year. Consequently, the Bank's business strategy is supported by an appropriate risk appetite framework with constant monitoring of the risk profile and with alerts issued if the risk profile reaches the specified limits for risk appetite.

Use of stress scenarios in risk management

Stress scenarios are risk management techniques used to assess Bank exposure to risks, both currently and from a forward-looking viewpoint. Stress scenarios allow the Bank to understand the impact of various stress events on Bank stability and provide an additional integral tool to approaches, benchmarks and models used in risk management. The outcome of stress scenarios are used by the Bank to challenge the risk appetite and capital planning, to identify significant risk concentrations and weaknesses in the portfolio, provide a tool to support business decision making and provide an additional tool for risks measurement in quantitative models for identification of risks not identified by the models. The Bank has a diverse range of methodologies for conducting stress scenarios, calculated to assess the potential impact of various risks to the Bank's business and financial targets.

The primary uses of stress scenarios and guidelines for setting them are specified in the policy document "General framework policy for risk management and control". The Bank extensively uses the results of stress scenarios to estimate the potential impact of various risks to the Bank's business and financial targets, as part of the capital planning process and the ICAAP document.

ICAAP process (Internal Capital Adequacy Assessment Process)

ICAAP is a process for assessment of internal capital (Pillar 2 of capital assessment in conformity with the Basel directives), designed to ensure that overall capital at the Bank is in line with its risk profile, specified capital targets and business targets, in conformity with the work plan and with current capital planning. This is done both in the normal course of business and under stress scenarios. Moreover, this pillar includes qualitative assessment processes for the level of various risks, their management, creation of the risk map and identification of risk hubs.

The ICAAP document is extensively discussed and approved by Bank management, Board committees (Risks Management Committee and Audit Committee) and by the Board of Directors plenum. The document was submitted to the Bank of Israel in late 2021 and includes qualitative and quantitative references to all risk aspects at the Bank.

This document consists of several chapters which describe corporate governance for risks management at the Bank, concise qualitative and quantitative analysis of material risks to the Bank, the capital targets, current risk profile and outlook for 2021, as well as developments during the year in conformity with the risk self assessment process and presentation of the Bank's overall risk map. Note that capital planning and risk assessment in the annual ICAAP document include the effects of the Union Bank merger, as well as reference to the individual risk profile of Union Bank, as part of the Group risk outlook.

The key part of the ICAAP document is the internal capital planning process, applied to a three-year forward planning horizon, from June 30, 2021 through June 30, 2024. This framework was used to calculate the required capital allocation with respect to each of the risks, from the requirements specified in Pillar 1 with additional capital required with respect to Pillar 2. Pillar 2 includes capital allocation for risks not included in Pillar 1, such as: Credit concentration risk and interest risk in the banking portfolio and additional capital allocations with respect to risks included in Pillar 1, but the Bank assumes require additional capital allocation. The capital allocation is calculated both for normal conditions and for stress scenarios. Stress scenarios are applied at variable frequency, intensity and levels, from scenarios at the individual risk level, a system-wide scenario to test concurrent materialization of multiple risks, based on the Bank of Israel Uniform Scenario, and through to application of stressed scenarios. These scenarios are intended to ensure that the Bank has sufficient capital cushions to survive even stressed scenarios, with high impact and very remote likelihood of materializing, and that the Bank is in compliance with the limit on ratio of Tier I equity for the stressed scenario – minimum ratio of 6.5%. The Bank also applies reverse stress test (RST) scenarios that consider, based on the Bank's risk profile, which event may bring the Bank close to the Tier I equity limit for the stress scenario.

The annual internal assessment process at the Bank to review capital adequacy indicates that the Bank has sufficient capital to face the various risks associated with Bank operations, both in the normal course of business and under stress scenarios. Over the entire planning period, the Bank has available total capital higher than the total capital required by ICAAP, even after applying stress and stressed scenarios. Moreover, the Tier I capital ratio under the stressed scenario, for each year of the scenario period, does not drop below 6.5%. The 2021 ICAAP document and conclusions thereof were approved by management and by the Bank Board of Directors in December 2021, and were submitted to the Bank of Israel in late 2021.

System-wide scenario

The system-wide scenario is a uniform stress scenario applied by the Supervisor of Banks to the banking system. In October 2021, the Bank of Israel issued a revised uniform stress scenario, including a macro-economic scenario which includes a global shock, reflected by slower economic activity and market declines in Israel and around the world. Interest rate increase due to higher inflation, along with a sharp decrease in asset prices, higher unemployment and lower private consumption. Moreover, concurrently in late 2022, a significant military operation starts in Israel, resulting in further deterioration in economic activity, which brings about a material lowering of Israel's credit rating (down to BBB), along with changes in the business environment and increased competition with new financial players. Bank results under this scenario, describing the expected development of the Bank's balance sheet and profitability, capital and leverage ratios were reported to the Bank of Israel in February 2022.

Risk factor severity

The Bank has specified a framework for risks management and control by the Group, which includes mapping of material risks and their materiality threshold, as well as assignment of Risk Owners for all risks. For each risk, the Bank estimates its potential impact on business operations over the coming year.

The table below lists the risk factors, executives appointed as Risk Owner for each one and management assessment of the impact of each risk factor, on a scale of five risk levels: Low, Low-medium, Medium, Medium, Medium-High and High.

The Bank assesses risk levels based on the estimated impact (potential impact) on Bank capital, during the year under scenarios of different magnitudes, under business as usual conditions and under stress conditions, based on the severity levels set forth in the framework policy on risk management. Note that the impact of potential damage on Bank equity is assessed by reviewing both quantitative and qualitative benchmarks, including the quality of risk management, emergency plans in place and the Bank's capacity to rapidly and dynamically respond to minimize damage upon materialization of stress events. The assessment of risk level for each risk is subjective, with some of the risks having clear quantitative benchmarks and other with a more significant subjective assessment. This is in conformity with the Bank's annual ICAAP process and its outcome, including self-assessment of risk levels, quality of risk management processes and risk control, including direction of risk development over the coming year and alignment with work plans of the various departments. These results are extensively discussed by Bank management and Board of Directors:

Risk factor	Effect of the risk factor	Risk owner
Overall effect of credit risks(1)	Medium	Manager, Corporate Division
Risk with respect to borrower and collateral quality	Medium	
Risk from industry concentration(1)	Low-Medium	
Risk with respect to concentration of borrower / borrower groups	Low	
Risk with respect to mortgage portfolio	Low	
Overall effect of market risks(2)	Low-Medium	Manager, Finance Division
Interest risk	Low-Medium	
Inflation risk	Low-Medium	
Foreign currency risk	Low	
Liquidity risk	Low-Medium	Manager, Finance Division
Overall effect of operational risk	Medium	Manager, Risks Control Division
Cyber and information security risk	Medium	Manager, Risks Control Division
IT risk	Medium	Manager, Mizrahi Tefahot Technology Division Ltd.
Legal risk	Low-Medium	Chief Legal Counsel
Compliance and regulatory risks(3)	Low-Medium	Manager, Risks Control Division
Reputation risk(4)	Low	Manager, Marketing, Promotion and Business Development Division
Business-strategic risk(5)	Low-Medium	President & CEO

(1) Includes concentration in construction and real estate clients sector.
(2) Includes options and shares risk mapped at Union Bank.
(3) Includes AML and terror financing risk and cross-border risk.
(4) The risk of impairment of the Bank's results due to negative reports about the Bank.
(5) The definition of business-strategic risk includes the capital planning and management process.

Below are major developments with regard to risk factors during the reported period:

The Bank risk profile remained unchanged in the first quarter of 2022.

In the first quarter of 2022, the overall effect of credit risk and risk associated with quality of borrowers and collateral remained Medium due to conflicting trends in this period: On the one hand, risk inherent in the Corona Virus crisis has decreased, and its impact on the economy appears to be limited in scope. On the other hand, the Russia-Ukraine crisis is deteriorating, its end is not in sight and it may negatively impact the global economy, including Israel, in addition to inflationary pressures which resulted in higher interest rates in Israel and world-wide.

The assessment of the total impact of credit risks and sector concentration includes the risk assessment with respect to Bank exposure to the construction and real estate sector. The Bank is mostly focused on extending credit for construction using the financial support method (closed assistance). Most of the credit risk in the construction and real estate sector is backed by real estate fully pledged to secure loan repayment, and for credit not secured by real estate collateral, there is other collateral in place, such as: deposits, securities etc.

In the first quarter of 2022, the Bank continued to expand its lending operations in the construction and real estate sector, with continued growth of these operations achieved while adhering to appropriate underwriting procedures and credit spreads to reflect the risk and is regularly monitored. The Bank assessment is that these operations have no material impact on the Bank's overall credit risk. The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank remained relatively low at 14.4% (compared to 14.7% at end of 2021).

On March 20, 2022, the Supervisor of Banks issued a draft update to Proper Conduct of Banking Business Directive 203, whereby loans designated for purchase of land for development or construction, with an LTV higher than 75% of value of the acquired property, shall carry a risk weighting of 150%, instead of 100%.

Technology risk and cyber and information security risk are material risks for the Bank, and the potential damage due to materialization of such risk may be significant under normal circumstances, and even more so during emergencies. Technological activity is focused on changing needs in line with the Bank's business strategy, and taking most of the steps to mitigate potential risk in as much as possible. In actual fact, there were no material events related to technology and to cyber and information security.

In the first quarter of 2022, liquidity risk remained Low-medium. In this quarter, the Bank's state of alert was "Increased" due to the Omicron variant outbreak, and later was raised to "Yellow" due to developments in the Russia-Ukraine crisis. In practice, no events and/or indications were observed which would indicate realization of a liquidity event. In the first quarter of 2022, the Bank maintained appropriate liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. The average liquidity coverage ratio (consolidated, including data for Union Bank) for the first quarter of 2022 was 120%.

Reputational risk remained Low, with the Bank constantly monitoring various benchmarks and indicators with regard to the Bank's reputation, including impact of the Union Bank merger, and the client conversion process which started in the second quarter of 2021. There was no material impact on the Bank's reputational risk.

The Bank has in place risk identification and measurement processes using diverse methodologies to estimate Bank risk and exposure to various risks, in the normal course of business and under stress scenarios. The Bank applies quantitative measurement methods (models, benchmarks, indicators, sensitivity analysis, scenarios and so forth), as well as qualitative ones (expert assessment and surveys).

Credit risk

Risk description and development thereof

Credit risk is the risk that a borrower or counter party of the Bank would not meet their obligations to the Bank. Credit risk is a material risk for Bank operations. This risk is affected by these major factors: Business risk due to client activities, concentration risk due to over-exposure to a borrower / borrower group and to economic sectors, geographic concentration risk, risk due to exogenous changes which mostly involve changes to the borrower's macro-economic environment, environmental risks and climate risks, overseas credit risks and operational risks which, should they materialize, would have implications for credit risks. This risk is also inter-related with some other risks, such as: market and interest risk, liquidity risk, compliance risk and other risks. Credit is at the core of banking activity, and therefore this is the primary risk of all risk types addressed by the banking system. Consequently, the lion's share of capital allocated in Pillar 1 is due to credit risk.

The overall effect of commercial credit risk remained unchanged at Medium, similar to the risk level at end of 2021 and in previous quarters.

In the first quarter of 2022, the overall effect of credit risk and risk associated with quality of borrowers and collateral remained Medium due to conflicting trends in this period: On the one hand, risk inherent in the Corona Virus crisis has decreased, and its impact on the economy appears to be limited in scope. On the other hand, the Russia-Ukraine crisis is deteriorating, its end is not in sight and it may negatively impact the global economy, including Israel, in addition to inflationary pressures which resulted in higher interest rates in Israel and world-wide.

In the second quarter of 2021, the risk level in the residential mortgage portfolio decreased to its pre-crisis level of Low risk, in view of the material decrease in volume of loans subject to deferral and with most of the clients subject to deferral resuming regular payments.

Analysis of developments in credit quality and problematic credit risk

Significant exposure to groups of borrowers

Disclosure of credit risk with respect to significant exposure to borrower groups is provided with regard to each group of borrowers whose net indebtedness, on a consolidated basis, after allowed deductions pursuant to Proper Conduct of Banking Business Directive 313, exceeds 15% of the banking corporation's capital (as defined in Regulation 313).

As of March 31, 2022, the Bank had no borrower group which meets the aforementioned criteria.

For more information about significant exposures to borrower groups, see chapter "Credit Risk" in the Report of the 2021 Report of the Board of Directors and Management.

Major borrowers

Below is the sector composition of the top 6 borrowers for the Group As of March 31, 2022 (NIS in millions):

Borrower no.	Economic sector	On-balance sheet credit risk(1)	Off-balance sheet credit risk(1)	Total credit risk(1)
1.	Power	990	139	1,129
2.	Construction and real estate	214	719	933
3.	Construction and real estate	363	553	916
4.	Power	578	328	906
5.	Construction and real estate	709	156	865
6.	Financial services	100	751	851

(1) On- and off-balance sheet credit risk is stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower and of borrower group.

Leveraged financing

Leveraged financing is credit financing provided to customers which fulfills one of the following criteria:

1. **Credit for an equity transaction would be classified according to one of the following rules:**
   - Credit for an equity transaction (as defined below), provided that the balance of such credit exceeds 0.5% of Bank capital or NIS 35 million, whichever is higher.
   - For credit financing acquisition of equity interests in another banking corporation, or in a banking holding corporation, provided that the balance of such credit exceeds NIS 35 million.
   - Additional credit extended to the borrower after the financing for the equity transaction, with repayment primarily based on the cash flows derived from the equity interest whose purchase was financed by the banking corporation.

   "**Equity transaction**": A transaction with one of the following goals:
   - Buyout – purchase or buyback, by the borrower, of the borrower's issued capital (including an employees' stock purchase plan).
   - Acquisition of another corporation – the purchase of any capital rights in another corporation, or the purchase of all, or a significant share, of the assets of another corporation.
   - Capital distribution – the payment of dividends or another transaction whose goal is to increase shareholder value.

   An equity transaction, with regard to leveraged financing, is one where the loan balance exceeds 0.5% of Bank capital and where the LTV ratio exceeds 50%.

2. **Financing for leveraged companies**, which is material credit extended to companies with attributes which indicate that an adverse change in the global economic environment or in the specific environment of the sector in which they do business, may significantly impact their capacity to repay the bank. The Bank has specified criteria for defining credit included in this category, based on the business client's credit risk rating, as reflected by the Bank's rating model; it also specified benchmarks for leveraging (i.e. for significantly high deviation from typical norms for the sector), determined based on generally accepted financial ratios among Bank clients with material credit in major economic sectors in which the Bank operates. Leverage benchmarks and economic sectors are reviewed based on changes to the business environment and are modified as necessary. Borrowers flagged for one or more of the criteria specified are individually reviewed by a forum which includes representatives from the Corporate Division, the Risks Control Division and the Accounting and Financial Reporting Division. The forum reviews changes to financial parameters of the company and the economic environment in which it operates.

Details of Bank exposure to credit constituting leveraged financing are as follows:

Credit for equity transactions (NIS in millions):

	March 31, 2022				March 31, 2021				December 31, 2021			
Economic sector of acquired company	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**
Construction and real estate	336	1	337	-	575	-	575	-	762	1	763	-
Mining and excavation	-	184	184	-	-	-	-	-	-	180	180	-
Total	336	185	521	-	575	-	575	-	762	181	943	-

Credit to leveraged companies (NIS in millions):

	March 31, 2022				March 31, 2021				December 31, 2021			
Economic sector of borrower	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**
Construction and real estate	26	-	26	-	20	-	20	-	26	-	26	-
Power	-	-	-	-	100	-	100	-	100	-	100	-
Commerce	133	10	143	-	328	33	361	36	92	46	138	-
Transport and storage	118	31	149	46	125	15	140	39	112	25	137	49
Financial services	-	-	-	-	117	-	117	3	-	-	-	-
Public and community services	164	8	172	-	130	8	138	-	164	8	172	-
Total	**441**	**49**	**490**	**46**	**820**	**56**	**876**	**78**	**494**	**79**	**573**	**49**

Developments in problematic credit risk

Below is a summary of overall problematic credit risk and non-performing assets before provision for credit losses, in accordance with provisions for measurement and disclosure of non-accruing debts, credit risk and provision for credit loss (NIS in millions):

			Total credit risk
	March 31, 2022	**March 31, 2021**	**December 31, 2021**
Problematic credit risk:			
Non-accruing credit risk(1)	3,188	1,626	1,330
Accruing problematic credit risk – non-housing	1,067	1,005	1,020
Accruing problematic credit risk – housing(1)	1,236	1,433	1,300
Total problematic credit risk	**5,491**	**4,064**	**3,650**

Major risk benchmarks related to credit quality (in percent):

	March 31, 2022	**March 31, 2021**	**December 31, 2021**
Non-accruing loans to the public as percentage of total loans to the public	1.1	0.6	0.5
Non-accruing loans to the public as percentage of total non-residential mortgages	1.1	1.8	1.3
Ratio of problematic loans to the public to total non-residential mortgages	1.9	2.6	2.2
Ratio of residential mortgages in arrears 90 days or longer to total loans to the public(2)	0.4	0.6	0.5
Ratio of problematic credit risk to total credit risk with respect to the public	1.5	1.2	1.0

(1) As from the first quarter of 2022, due to application of new directives regarding provisions for credit losses and other directives, residential mortgages in arrears or under re-structuring, which according to the new directives do not accrue interest revenues on the financial statements, previously presented under "Accruing problematic credit risk – housing" are now presented under "Non-accruing credit". Moreover, "Accruing problematic loans to the public – housing" includes loans accruing interest, which are classified as problematic due to lack of qualitative indications.
(2) This non-housing rate is negligible.

For more information see chapter "Explanation and analysis of results and business standing" above.

Below is current data about Bank activities to assist clients, in view of the Corona Virus crisis (NIS in millions):

	As of March 31, 2022							
	Debts subject to repayment deferral			Further details of recorded debt balance of debts subject to deferred repayment				
					Non-problematic debts			
Loans to the public	**Recorded debt balance**	**Number of loans**	**Payment amounts deferred**	**Problematic debts**	**Debts not at performing credit rating**	**Debts at performing credit rating, in arrears 30 days or longer**	**Debts at performing credit rating, not in arrears**	**Total non-problematic debts**
Large businesses	16	4	9	-	6	-	10	16
Medium businesses	56	11	8	5	10	-	41	51
Small businesses	264	415	57	9	28	1	226	255
Private individuals	1	34	1	-	-	-	1	1
Residential mortgages	5,332	(1)6,214	588	247	101	80	4,904	5,085
Total as of March 31, 2022	**5,669**	**6,678**	**663**	**(2)261**	**145**	**81**	**5,182**	**5,408**
Of which, with respect to complete deferral	**370**	**494**	**78**	**15**	**44**	**1**	**301**	**346**
Of which, with respect to partial delay in conformity with the Bank of Israel outline	**5,299**	**6,184**	**585**	**246**	**101**	**80**	**4,881**	**5,062**
Total as of December 31, 2021	**6,598**	**8,258**	**791**	**297**	**181**	**103**	**6,017**	**6,301**
Total as of March 31, 2021	**10,092**	**17,366**	**1,099**	**330**	**265**	**99**	**9,398**	**9,762**

	As of March 31, 2022				
	Further details of debts subject to repayment deferral, by repayment deferral period(3)		Debt for which the payment deferral period has expired, as of the report date		Credit provided in State funds
	Non-problematic debts				
Loans to the public	**Debts subject to deferral of 3 to 6 months**	**Debts subject to deferral of 6 months or longer**	**Recorded debt balance**	**Of which: In arrears 30 days or longer**	**Recorded debt balance**
Large businesses	-	16	925	2	639
Medium businesses	-	51	201	22	478
Small businesses	4	251	2,164	93	3,297
Private individuals	-	1	751	25	-
Residential mortgages	115	4,970	31,978	669	-
Total as of March 31, 2022	**119**	**5,289**	**36,019**	**811**	**4,414**
Of which, with respect to complete deferral	**10**	**336**	**32,972**	**667**	**-**
Of which, with respect to partial delay in conformity with the Bank of Israel outline	**109**	**4,953**	**3,047**	**144**	**-**
Total as of December 31, 2021	**121**	**6,180**	**36,959**	**712**	**4,687**
Total as of March 31, 2021	**1,697**	**7,833**	**39,981**	**685**	**5,337**

(1) Number of Borrowers
(2) Of which: As of March 31, 2022, there are no non-accruing debts (On March 31, 2021: NIS 4 million, on December 31, 2021: NIS 1 million).
(3) The repayment deferral period is the cumulative deferral period granted to debt since the start of the Corona Virus crisis, excluding any deferral to which the borrower is entitled by law.

Analysis of change to non-accruing debts

Below is the movement in non-accruing debts and non-accruing debt under restructuring (NIS in millions):

Movement in non-accruing loans to the public	For the three months ended March 31, 2022				For the three months ended March 31, 2021				For the year ended December 31, 2021			
	Commercial	Residential	Individual	Total	Commercial	Residential	Individual	Total	Commercial	Residential	Individual	Total
Non-accruing loans to the public – balance at start of period	1,193	-	56	1,249	1,423	-	68	1,491	1,423	-	68	1,491
Loans classified as non-accruing during the period	62	(1)2,038	6	2,106	150	-	8	158	460	-	26	486
Loans resuming accrual of interest revenues during the period	(103)	-	(2)	(105)	(10)	-	-	(10)	(315)	-	(5)	(320)
Loans subject to accounting write-off	(20)	-	-	(20)	(35)	-	(14)	(49)	(225)	-	(27)	(252)
Loans repaid	(52)	-	(1)	(53)	(92)	-	(12)	(104)	(288)	-	(24)	(312)
Other changes	-	-	-	-	24	-	6	30	138	-	18	156
Non-accruing debt balance at end of period	**1,080**	**2,038**	**59**	**3,177**	**1,460**	**-**	**56**	**1,516**	**1,193**	**-**	**56**	**1,249**

Of which: Movement in non-accruing credit subject to re-structuring	For the three months ended March 31, 2022				For the three months ended March 31, 2021				For the year ended December 31, 2021			
	Commercial	Residential	Individual	Total	Commercial	Residential	Indi vidual	Total	Commercial	Residential	Individual	Residential
Non-accruing credit balance subject to re-structuring – at start of period	367	-	31	398	418	-	41	459	418	-	41	459
Re-structuring carried out during the period	62	(1)1,520	50	1,632	12	-	7	19	135	-	18	153
Loans resuming accrual of interest revenues	(27)	(17)	(37)	(81)	(6)	-	(3)	(9)	(177)	-	(5)	(182)
Credit under restructuring written off	(2)	-	(2)	(4)	(6)	-	(7)	(13)	(63)	-	(15)	(78)
Credit under restructuring repaid	(145)	-	(10)	(155)	(26)	-	(9)	(35)	(72)	-	(19)	(91)
Other changes	(95)	-	6	(89)	7	-	4	11	126	-	11	137
Non-accruing credit balance subject to re-structuring – at end of period	**160**	**1,503**	**38**	**1,701**	**399**	**-**	**33**	**432**	**367**	**-**	**31**	**398**

(1) Includes non-accruing debts and non-accruing debt under restructuring amounting to NIS 2,005 million and NIS 1,368 million, respectively, classified upon initial application of public reporting directives with regard to expected credit losses. For more information see Note 1 to the financial statements.

For more information about problematic credit risk, see Notes 6 and 13 to the financial statements.

Analysis of provision for credit losses

Analysis of movement in balance of provision for credit losses (NIS in millions):

	For the three months ended March 31, 2022					
	Provision for credit losses					
	Loans to the public				Banks, governments and bonds held to maturity and available for sale	
	Commercial	Housing	Individual – other	Total		Total
Balance of provision for credit losses at start of period	1,256	804	254	2,314	1	2,315
Opening balance adjustment for effect of initial application of public reporting directives with regard to expected credit losses	304	(32)	120	392	-	392
Expenses (income) with respect to credit losses	61	14	4	79	-	79
Net accounting write-offs	(8)	-	(12)	(20)	-	(20)
Other(1)	(23)	1	10	(12)	-	(12)
Balance of provision for credit losses at end of period	**1,590**	**787**	**376**	**2,753**	**1**	**2,754**

	For the three months ended March 31, 2021					
Balance of provision for credit losses at start of period	1,383	942	340	2,665	2	2,667
Expenses with respect to credit losses	45	(23)	(10)	12	1	13
Net accounting write-offs	(18)	(1)	(18)	(37)	-	(37)
Other(1)	3	-	4	7	-	7
Balance of provision for credit losses at end of period	**1,413**	**918**	**316**	**2,647**	**3**	**2,650**

(1) Movement in provision for credit losses in subsidiary, primarily attributed to cost of acquisition upon initial consolidation, and is therefore not included on the consolidated balance sheet.

For more information about provision for credit losses see Notes 6 and 13 to the financial statements.

Major risk benchmarks related to provision for credit losses (in percent):

	March 31, 2022	March 31, 2021	December 31, 2021
Ratio of provision for credit losses to total loans to the public	1.0	1.1	0.8
Ratio of provision for credit losses to total credit risk with respect to the public	0.7	0.8	0.6
	Three months(1)		
	2022	2021	2021
Ratio of expenses (revenues) with respect to credit losses to average balance of loans to the public, gross	0.1	-	(0.1)
Ratio of net write-offs to average balance of loans to the public, gross	0.03	0.1	0.1
Ratio of expenses (revenues) with respect to credit losses to average balance of loans to the public, net	0.1	-	(0.1)
Of which: With respect to commercial loans other than residential mortgages(2)	0.3	0.2	(0.2)
Ratio of net write-offs to average balance of loans to the public, net	0.03	0.1	0.1

(1) Annualized.
(2) The rate with respect to residential mortgages is negligible.

Credit risk to individuals (excluding residential mortgages)(1)

The household segment is a key growth engine and a significant component of the Bank's strategic plan for 2021-2025. The individual client segment is highly diversified – by number of clients and by geographic location. Most clients in this segment are salaried employees with an individual account or joint household account. A recession in non-banking operations is a major risk factor for household activity and higher unemployment may increase the number of clients who face difficulties.

Credit policies and work procedures with regard to extending credit, including to individual clients, include directives and guidelines with regard to credit underwriting and adapting credit to client needs and repayment capacity: Review of credit objective, requested LTV, loan term, analysis of client's repayment capacity and repayment sources, for all of their indebtedness. This includes review of various economic parameters of the client based, *inter alia*, on the client's regular income(2), pledged or unencumbered savings, knowledge of the client and past experience working with the client. There are also procedures, designated work processes and controls for proactive offering of loans to individual clients, in conformity with Bank of Israel directives.

As for credit to individual clients, Bank policy is in conformity with the Supervisor of Banks' Proper Conduct of Banking Business Directive 311A regarding "Management of consumer credit".

The Bank regularly monitors the risk level in the loan portfolio to individuals, including by using an internal model for credit rating of individual clients, as well as by monitoring and continuous analysis of expenses with respect to credit losses and by conducting various stress tests, including stress tests in conformity with Bank of Israel directives, which include scenarios such as: economic recession, significant increase in unemployment and higher interest rates. For more information about credit risk management following the Corona Virus crisis, see chapter "Credit risks" and chapter "Explanation and analysis of results and business standing".

Below is information about credit risk to individuals – balances and various risk attributes (NIS in millions):

	As of March 31		As of December 31
	2022	**2021**	**2021**
Debts			
Current account balances	1,964	1,699	1,976
Utilized credit card balances	4,571	4,511	4,653
Auto loans – adjustable interest	2,250	2,038	2,133
Auto loans – fixed interest	2,955	2,592	2,823
Other loans and credit – variable interest	13,215	12,654	13,063
Other loans and credit – fixed interest	271	345	194
Total debt (on-balance sheet credit)	**25,226**	**23,839**	**24,842**
Un-utilized facilities, guarantees and other commitments			
Current accounts – un-utilized facilities	5,153	5,202	5,134
Credit cards – un-utilized facilities	8,418	7,929	8,331
Guarantees	279	229	253
Other liabilities	11	50	57
Total un-utilized facilities, guarantees and other commitments (off-balance sheet credit)	**13,861**	**13,410**	**13,775**
Total credit risk to individuals	**39,087**	**37,249**	**38,617**
Of which:			
Bullet / balloon loans(3)	382	363	380
Financial asset portfolio and other collateral against credit risk(4)			
Financial assets portfolio:			
Deposits	4,140	3,896	3,998
Securities	315	247	271
Other monetary assets	245	279	257
Other collateral(5)	3,569	3,664	3,484
Total financial assets portfolio and other collateral against credit risk	**8,269**	**8,086**	**8,010**

(1) As defined in Proper Conduct of Banking Business Directive 451.
(2) For measuring regular income in client accounts, the Bank uses "credit turnover" data for the account, including inter alia salaries and regular pensions.
(3) Loans with a grace period for principal longer than one year.
(4) Amounts presented are the financial assets portfolio and other collateral, only up to client debt amount.
(5) Collateral is after applying the safety factor, in conformity with Bank factors accounted for when extending credit.

Below is composition by size of borrower indebtedness[1]:

Loan ceiling and credit risk (NIS in thousands)		As of March 31, 2022 Number of Borrowers	Total credit risk	As of March 31, 2021 Number of Borrowers	Total credit risk	As of December 31, 2021 Number of Borrowers	Total credit risk
	Up to 10	344,877	1,353	336,051	2,063	353,214	1,675
Above 10	Up to 20	112,239	1,686	111,088	1,704	111,402	1,686
Above 20	Up to 40	149,118	4,359	143,755	4,212	147,002	4,303
Above 40	Up to 80	157,797	9,016	149,496	8,577	154,397	8,928
Above 80	Up to 150	99,389	10,665	94,104	10,161	97,395	10,573
Above 150	Up to 300	47,699	9,695	42,874	8,609	44,683	9,345
Above 300		5,280	2,313	4,192	1,923	4,361	2,107
Total		**916,399**	**39,087**	**881,560**	**37,249**	**912,454**	**38,617**

(1) Number of borrowers is for total on- and off-balance sheet credit risk.

Composition of on-balance sheet credit by fixed income[1] in account:

Income	As of March 31, 2022 NIS in millions	in %	As of March 31, 2021 NIS in millions	in %	As of December 31, 2021 NIS in millions	in %
Accounts with no fixed income for the account[2]	6,351	25.2	5,527	23.2	5,913	23.8
Less than NIS 10 thousand	4,333	17.2	4,804	20.2	4,459	17.9
Between NIS 10 thousand and NIS 20 thousand	7,676	30.4	7,517	31.5	7,620	30.7
Over NIS 20 thousand	6,866	27.2	5,991	25.1	6,850	27.6
Total	**25,226**	**100.0**	**23,839**	**100.0**	**24,842**	**100.0**

(1) For measuring regular income in client accounts, the Bank uses "credit turnover" data for the account, including *inter alia* salaries and regular pensions.

(2) Primarily with respect to loans extended in conjunction with assignment of vehicle portfolios and loans extended by Igud Leasing. Due to the nature of account management, this revenue is not reflected in the current account.

Below is composition of on-balance sheet credit by remaining term to maturity[1]:

Term to maturity	As of March 31, 2022 NIS in millions	in %	As of March 31, 2021 NIS in millions	in %	As of December 31, 2021 NIS in millions	in %
Up to 1 year	3,902	20.9	3,578	20.3	3,696	20.3
Over 1 year to 3 years	6,034	32.3	5,588	31.7	5,970	32.8
Over 3 years to 5 years	4,483	24	4,383	24.9	4,387	24.1
Over 5 years to 7 years	2,158	11.5	2,046	11.6	2,118	11.6
Over 7 years[2]	2,114	11.3	2,034	11.5	2,042	11.2
Total	**18,691**	**100.0**	**17,629**	**100.0**	**18,213**	**100.0**

(1) Excluding checking account and credit cards.

(2) Primarily loans to salaried Government employees, where loan repayment is directly deducted from the client's pay check and which bear significantly lower risk than similar loans for the same term.

Below is information about problematic credit risk for individuals before provision for credit losses (NIS in millions):

	As of March 31, 2022			As of March 31, 2021			As of December 31, 2021		
	Credit risk[1]			Credit risk[1]			Credit risk[1]		
	On balance sheet	Off balance sheet	Including	On balance sheet	Off balance sheet	Including	On balance sheet	Off balance sheet	Including
Balance of problematic credit risk	200	8	208	185	3	188	193	7	200
Problematic credit risk rate[2]	0.79%	0.06%	0.53%	0.78%	0.02%	0.50%	0.78%	0.05%	0.52%

(1) On- and off-balance sheet credit before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower and of borrower group.

(2) The ratio of problematic credit risk to total credit risk before provision for credit losses.

Below is the expense rate with respect to credit losses to individuals (annualized)

	Three months		2021
	2022	2021	
Expense with respect to credit losses as percentage of total loans to the public to individuals	0.06%	(0.17%)	(0.22%)

Data for credit risk to individuals show that:

- Total debts by individuals (on-balance sheet credit) increased by 5.8% and by 1.6% compared to March 31, 2021 and December 31, 2021, respectively.
- Composition of debts as of March 31, 2022:
  Checking accounts - 7.8%
  Credit cards - 18.1%
  Auto loans - 20.6%
  Other loans and credit - 53.5%
- Of all debts (on-balance sheet credit) as of March 31, 2022, 31.8% is secured by financial assets and other collateral in the client's account (compared to 33.9% as of March 31, 2021 and 32.3% as of December 31, 2021).

In view of risk attributes of this segment, the rate of group-based qualitative provision for individuals in the first nine months of 2021 was affected by the economic environment based on which previous provisions are attributed.

Credit risk in construction and real estate economic sector in Israel

Credit operations in this sector account for a significant component of credit operations of the Corporate Division. In financing the construction and real estate industry, specific analysis and monitoring tools are used to assist the Bank in reaching decisions on the granting of financial support to the various projects. Construction financing in this industry is focused mainly on residential construction in areas with strong demand in central Israel. In addition, the financing is allocated between geographic regions, based inter alia on relevant demand. In extending credit for construction, the Bank focuses on the financial support method (closed assistance). The application of this method is designed to reduce the exposure to risks in the granting of the loans, because it incorporates current and close monitoring of the progress of the financed projects, both before the loans are provided, and as the project receives the financial support, while maintaining a distinction between the financed projects and the business risks inherent in the other activities of the developer-borrower. The Bank is assisted by outside construction supervisors, and also relies on liens on the land in the project, to secure the loans. Loans are issued for financed projects only by business centers and branches with professional knowledge of the subject, and under the supervision of the construction and real estate sector. The Bank also sets policies and rules for financing other real estate transactions, such as financing for rental properties, Construction, purchase groups, urban renewal, National Zoning Plan 38 etc. Moreover, in order to minimize risk, the Bank insures the portfolio of housing bonds and some performance guarantees in assisted projects with overseas reinsurers.

With the recovery from the Corona Virus crisis and given the excess demand for apartments in Israel and the low interest rates, new records were broken in this sector and over the past year housing prices increased by over 15%, the Construction Input Price Index increased by 6.6%, an all-time high number of construction permits was granted at 76.3 thousand residential units, and an all-time record volume of mortgages were originated in 2021, at NIS 116 billion. New residential units sold in December 2021 to February 2022 (net of seasonal effects) was 0.5% higher than in the previous three months, and review of trend data shows that since March 2018, sales increased by 2.4% per month. In 2021, 63.3 thousand construction starts were recorded – the highest figure since 1995. Completion of residential construction decreased by 5%. Furthermore, ILA tenders closed over the past year reached record prices, reflecting the expectations of market players for further price increases.

In late 2021, the Government approved a new Government program for 2022-2025 to address higher housing prices. This program includes Government-specified targets for planning and development, using budgets included in the national budget to eliminate barriers to increasing housing supply, as well as measures designed to reduce demand and thereby to bring about structural changes in order to streamline the housing market in Israel. The Bank is monitoring this program and its market implications.

Demand in the rental real estate segment also recovered impressively, as the number of those vaccinated increased and as the economy resumed normal operations. Addressing the implications of the Corona Virus crisis accelerated processes of remote working and integration with office work (hybrid model), which are expected to remain over the long term. Therefore, and in view of many companies entering the eCommerce market, accelerated trend of online shopping and growth in private consumption, there is increased demand for logistics centers.

Financing of real estate transactions at the Bank is conducted in conformity with clear policy and rules stipulated in the lending policy for various activity channels, such as: financing for land, residential construction, rental real estate, purchase groups, urban renewal, TAMA 38 and so forth. Growth in activity, in view of increased competition, is achieved while adhering to appropriate underwriting procedures and credit spreads to reflect the risk. The risk level in this sector is also taken into account in the quarterly review process of the group-based provision.

The Bank regularly monitors the loan portfolio, as well as new loans extended, in conformity with benchmarks stipulated in Bank policy.

In the first quarter of 2022, the Bank acted to expand its loan operations in the construction and real estate sector, as part of the trend of growing demand in this sector reflected, inter alia, in rising prices and increased transaction volume. Consequently, the total credit exposure in the construction and real estate sectors increased by 2.9% in 2022.

The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank as of March 31, 2022, as presented below (Credit Risk by Economic Sector) is 14.6%. Note that according to Proper Conduct of Banking Business Directive 315, the rate of indebtedness of the construction and real estate sector (for calculation of sector concentration) is 11.2% (excluding liabilities, including contingent liabilities to extend credit or to provide guarantees and amounts of housing bonds for which the Bank has obtained an insurance policy). In the first quarter of 2022, the Bank reviewed the calculation of the group-based provision for credit losses in this sector, and adjusted this provision so as to account, inter alia, for growth in the loan portfolio and the underwriting conditions.

On March 20, 2022, the Bank of Israel issued a draft updated directive to banks, whereby loans designated for purchase of land for development or construction, with an LTV higher than 75% of value of the acquired property, shall carry an increased risk weighting of 150%.

Below is information about credit risk in the construction and real estate economic sector in Israel, by real estate collateral type (NIS in millions):

	March 31, 2022							
	Credit risk to the public[(1)]							
				Credit risk	Total problematic credit risk		Balance of provision for credit losses	
	On balance sheet[(2)]	Off balance sheet[(3)]		Including	Non-accruing	Other proble-matic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
		Guarantees to home buyers[(5)]	Facilities and other commitments					
Secured by real estate:								
Housing	15,866	5,845	12,740	34,451	57	40	18	29
Commercial and industrial	7,042	102	2,124	9,268	64	65	117	34
Total secured by real estate	**22,908**	**5,947**	**14,864**	**43,719**	**121**	**105**	**135**	**63**
Not secured by real estate	5,706	211	4,135	10,052	134	86	99	30
Total for construction and real estate economic sector in Israel	**28,614**	**6,158**	**18,999**	**53,771**	**255**	**191**	**234**	**93**
Of which: Designated for project assistance	15,248	5,918	11,571	32,737	33	30	25	32

	March 31, 2021						
	Credit risk to the public[(1)]						
			Credit risk	Total problematic credit risk		Balance of provision for credit losses	
	On balance sheet[(2)]	Off balance sheet[(3)]	Including	Non-accruing[(6)]	Other proble matic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
Secured by real estate:							
Housing	12,119	18,419	30,538	60	50	93	54
Commercial and industrial	6,402	1,736	8,138	76	42	56	5
Total secured by real estate	**18,521**	**20,155**	**38,676**	**136**	**92**	**149**	**59**
Not secured by real estate	4,740	3,853	8,593	148	88	47	34
Total for construction and real estate economic sector in Israel	**23,261**	**24,008**	**47,269**	**284**	**180**	**196**	**93**
Of which: Designated for project assistance	10,038	16,556	26,594	39	39	86	56

	December 31, 2021							
	Credit risk to the public[(1)]							
				Credit risk	Total problematic credit risk		Balance of provision for credit losses	
	On balance sheet[(2)]	Off balance sheet[(3)]		Including	Non-accruing[(6)]	Other proble-matic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
		Guarantees to home buyers[(5)]	Facilities and other commitments					
Secured by real estate:								
Housing	13,472	5,517	13,708	32,697	69	87	105	57
Commercial and industrial	7,263	83	2,150	9,496	90	49	54	7
Total secured by real estate	**20,735**	**5,600**	**15,858**	**42,193**	**159**	**136**	**159**	**64**
Not secured by real estate	5,652	219	4,193	10,064	122	99	52	33
Total for construction and real estate economic sector in Israel	**26,387**	**5,819**	**20,051**	**52,257**	**281**	**235**	**211**	**97**
Of which: Designated for project assistance	12,788	5,549	12,348	30,685	39	72	122	59

(1) On- and off-balance sheet credit risk, problematic credit risk and impaired loans to the public are stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower.
(2) Loans to the public, investment in bonds by the public, other debt by the public and other assets with respect to derivatives against the public.
(3) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits.
(4) On- and off-balance sheet credit risk with respect to the public, which is inferior or under special supervision.
(5) Off-balance sheet credit risk due to housing bonds, which are mostly backed by insurance purchased from international reinsurers.
(6) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Below is information about credit risk in the construction and real estate economic sector in Israel, by asset status (NIS in millions):

	March 31, 2022			March 31, 2021			December 31, 2021		
	Credit risk[1]			Credit risk[1]			Credit risk[1]		
	On balance sheet	Off balance sheet	Including	On balance sheet	Off balance sheet	Including	On balance sheet	Off balance sheet	Including
Secured by real estate									
Real estate yet to be completely constructed:									
Raw land	11,221	759	11,980	5,354	776	6,130	8,795	1,276	10,071
Real estate under construction	5,477	18,464	23,941	7,210	17,375	24,585	5,698	18,865	24,563
Real estate completely constructed	6,210	1,588	7,798	5,957	2,004	7,961	6,242	1,317	7,559
Total credit secured by real estate in Israel	**22,908**	**20,811**	**43,719**	**18,521**	**20,155**	**38,676**	**20,735**	**21,458**	**42,193**
Not secured by real estate	5,706	4,346	10,052	4,740	3,853	8,593	5,652	4,412	10,064
Total credit risk for construction and real estate	**28,614**	**25,157**	**53,771**	**23,261**	**24,008**	**47,269**	**26,387**	**25,870**	**52,257**

Below is information about credit risk in the construction and real estate economic sector in Israel, by debt classification (NIS in millions):

	March 31, 2022	December 31, 2021	Change
	Credit risk to the public[1]		
Credit risk at performing credit rating:			
Total non-problematic credit risk	52,286	50,559	3.4%
Credit risk other than at performing credit rating:			
Problematic accruing[2]	191	235	(18.7%)
Problematic non-accruing[2]	255	281	(9.3%)
Non-problematic	1,039	1,182	(12.1%)
Total credit risk other than at performing credit rating	**1,485**	**1,698**	**(12.5%)**
Total credit risk for construction and real estate	**53,771**	**52,257**	**2.9%**

(1) On- and off-balance sheet credit risk is stated before impact of provision for credit losses, and before impact of deductible collateral with respect to borrower indebtedness.

(2) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts

Credit Risk by Economic Sector

As of March 31, 2022

Reported amounts (NIS in millions)

	Total credit risk[1]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[4]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non-accruing[7]	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,178	1,152	8	18	1,178	912	18	11	2	1	17
Mining and excavation	785	777	-	8	662	172	8	-	4	-	9
Industry and production	14,716	14,029	215	472	14,516	8,998	472	250	(3)	14	351
Of which: Diamonds	1,590	1,411	32	147	1,590	1,035	147	76	1	-	28
Construction and real estate – construction[6]	46,327	45,071	906	350	46,230	22,097	350	207	(16)	(18)	236
Construction and real estate – real estate operations	7,444	7,215	133	96	7,207	6,219	96	48	(7)	-	91
Electricity and water delivery	7,602	7,544	34	24	7,323	4,451	24	12	16	13	71
Commerce	15,209	14,609	310	290	15,075	11,239	290	150	(14)	8	271
Hotels, dining and food services	2,095	1,807	134	154	2,095	1,598	154	59	10	1	92
Transport and storage	2,925	2,205	528	192	2,911	2,137	192	151	12	(26)	114
Information and communications	1,742	1,673	15	54	1,686	1,090	54	40	9	-	34
Financial services	17,120	17,061	28	31	13,996	8,517	31	9	7	-	43
Other business services	6,613	6,221	210	182	6,592	4,537	182	125	20	16	163
Public and community services	3,363	3,013	315	35	3,351	2,673	35	23	21	(1)	64
Total commercial	**127,119**	**122,377**	**2,836**	**1,906**	**122,822**	**74,640**	**1,906**	**1,085**	**61**	**8**	**1,556**
Private individuals – residential mortgages	203,027	198,870	883	3,274	203,027	182,073	3,274	2,038	14	-	786
Private individuals – other	39,148	38,556	384	208	39,087	25,226	208	59	4	12	376
Total public – activity in Israel	**369,294**	**359,803**	**4,103**	**5,388**	**364,936**	**281,939**	**5,388**	**3,182**	**79**	**20**	**2,718**
Banks in Israel	3,842	3,842	-	-	2,628	2,393	-	-	-	-	-
Government of Israel	11,256	11,256	-	-	77	77	-	-	-	-	-
Total activity in Israel	**384,392**	**374,901**	**4,103**	**5,388**	**367,641**	**284,409**	**5,388**	**3,182**	**79**	**20**	**2,718**
Borrower activity overseas											
Total public – activity overseas	5,688	5,102	483	103	5,312	3,518	103	6	-	-	35
Overseas banks	7,676	7,676	-	-	6,087	6,067	-	-	-	-	1
Overseas governments	4,061	4,060	-	1	380	380	1	1	-	-	-
Total activity overseas	**17,425**	**16,838**	**483**	**104**	**11,779**	**9,965**	**104**	**7**		**-**	**36**
Total	**401,817**	**391,739**	**4,586**	**5,492**	**379,420**	**294,374**	**5,492**	**3,189**	**79**	**20**	**2,754**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 294,374; bonds – 16,263; securities borrowed or acquired in conjunction with resale agreements – 542; Assets with respect to derivatives – 3,353; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 87,285.

(2) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements.

(3) Includes with respect to off-balance sheet credit instruments (included on balance sheet under Other Liabilities).

(4) Credit risk whose credit rating as of the report date matches the credit rating for new credit performance, in conformity with Bank policies.

(5) On- and off-balance sheet credit risk, which is non-accruing, inferior or under special supervision.

(6) Includes on-balance sheet credit risk amounting to NIS 1,731 million and off-balance sheet credit risk amounting to NIS 1,936 million, provided to certain purchase groups in the process of construction and includes off-balance sheet credit risk amounting to NIS 6,216 million for which insurance has been acquired to cover the Sales Law guarantee portfolio from international reinsurers.

(7) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Credit Risk by Economic Sector – Consolidated – continued

As of March 31, 2021

Reported amounts (NIS in millions)

	Total credit risk[1]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[3]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non-accruing[7]	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,174	1,129	38	7	1,173	919	7	6	1	-	10
Mining and excavation	926	887	-	39	820	315	39	-	2	(1)	11
Industry and production	12,812	11,815	481	516	12,599	7,525	516	347	10	9	207
Of which: Diamonds	1,570	1,377	47	146	1,566	1,064	146	-	1	(1)	25
Construction and real estate – construction[6]	39,927	36,821	2,755	351	39,862	16,855	351	188	(1)	3	247
Construction and real estate – real estate operations	7,342	6,650	579	113	7,104	6,114	113	96	(5)	-	42
Electricity and water delivery	6,247	6,197	38	12	5,828	3,232	12	1	3	-	21
Commerce	14,787	13,284	1,029	474	14,622	10,793	474	349	13	1	258
Hotels, dining and food services	2,045	1,707	187	151	2,045	1,608	151	51	4	2	105
Transport and storage	2,848	2,470	142	236	2,823	1,519	236	139	17	2	104
Information and communications	1,958	1,722	161	75	1,872	1,179	75	9	2	1	36
Financial services	17,723	17,535	20	168	14,580	8,496	168	123	(12)	(1)	138
Other business services	6,122	5,590	353	179	6,115	4,072	179	109	16	2	125
Public and community services	3,357	3,059	266	32	3,352	2,654	32	17	-	-	29
Total commercial	**117,268**	**108,866**	**6,049**	**2,353**	**112,795**	**65,281**	**2,353**	**1,435**	**50**	**18**	**1,333**
Private individuals – residential mortgages	176,362	174,197	732	1,433	176,362	159,694	1,433	-	(23)	1	917
Private individuals – other	37,353	36,871	294	188	37,249	23,839	188	56	(10)	18	316
Total public – activity in Israel	**330,983**	**319,934**	**7,075**	**3,974**	**326,406**	**248,814**	**3,974**	**1,491**	**17**	**37**	**2,566**
Banks in Israel	2,491	2,491	-	-	1,438	1,191	-	-	-	-	-
Government of Israel	14,246	14,246	-	-	8	8	-	-	-	-	-
Total activity in Israel	**347,720**	**336,671**	**7,075**	**3,974**	**327,852**	**250,013**	**3,974**	**1,491**	**17**	**37**	**2,566**
Borrower activity overseas											
Total public – activity overseas	5,488	5,006	392	90	4,842	3,143	90	61	(5)	-	81
Overseas banks	9,352	9,352	-	-	7,849	7,790	-	-	-	-	2
Overseas governments	3,484	3,483	-	1	543	543	1	1	1	-	1
Total activity overseas	**18,324**	**17,841**	**392**	**91**	**13,234**	**11,476**	**91**	**62**	**(4)**	**-**	**84**
Total	**366,044**	**354,512**	**7,467**	**4,065**	**341,086**	**261,489**	**4,065**	**1,553**	**13**	**37**	**2,650**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 261,489; bonds – 19,001; securities borrowed or acquired in conjunction with resale agreements – 139; Assets with respect to derivatives – 3,643; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 81,772.

(2) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements.

(3) Includes with respect to off-balance sheet credit instruments (included on balance sheet under Other Liabilities).

(4) Credit risk whose credit rating as of the report date matches the credit rating for new credit performance, in conformity with Bank policies.

(5) On- and off-balance sheet credit risk, which is non-accruing, inferior or under special supervision.

(6) Includes on-balance sheet credit risk amounting to NIS 2,221 million and off-balance sheet credit risk amounting to NIS 2,346 million, provided to certain purchase groups in the process of construction and includes off-balance sheet credit risk amounting to NIS 5,384 million for which insurance has been acquired to cover the Sales Law guarantee portfolio from international reinsurers.

(7) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Credit Risk by Economic Sector – Consolidated – continued

As of December 31, 2021

Reported amounts (NIS in millions)

	Total credit risk[1]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[4]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non-accruing[7]	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,203	1,179	8	16	1,203	939	16	8	(1)	1	9
Mining and excavation	750	750	-	-	651	158	-	-	(6)	-	4
Industry and production	13,280	12,517	298	465	13,116	7,689	465	294	14	37	188
Of which: Diamonds	1,552	1,390	23	139	1,552	1,031	139	-	8	4	27
Construction and real estate – construction[6]	44,695	43,288	1,004	403	44,603	19,881	403	197	43	(1)	265
Construction and real estate – real estate operations	7,562	7,271	178	113	7,360	6,228	113	84	(16)	1	43
Electricity and water delivery	7,686	7,637	36	13	7,427	4,655	13	1	11	(4)	35
Commerce	14,146	13,410	380	356	13,993	10,531	356	229	(42)	19	231
Hotels, dining and food services	2,082	1,773	142	167	2,082	1,577	167	72	(44)	8	55
Transport and storage	2,877	2,523	140	214	2,858	1,992	214	173	21	10	99
Information and communications	1,864	1,744	27	93	1,807	1,181	93	16	(2)	(2)	35
Financial services	16,457	16,387	28	42	13,165	8,143	42	7	(35)	(20)	129
Other business services	6,211	5,825	213	173	6,192	4,229	173	114	(12)	(8)	102
Public and community services	3,350	2,963	351	36	3,343	2,582	36	19	(13)	(2)	21
Total commercial	**122,163**	**117,267**	**2,805**	**2,091**	**117,800**	**69,785**	**2,091**	**1,214**	**(82)**	**39**	**1,216**
Private individuals – residential mortgages	195,368	193,185	883	1,300	195,368	175,599	1,300	-	(133)	7	803
Private individuals – other	38,707	38,201	306	200	38,617	24,842	200	56	(55)	45	254
Total public – activity in Israel	**356,238**	**348,653**	**3,994**	**3,591**	**351,785**	**270,226**	**3,591**	**1,270**	**(270)**	**91**	**2,273**
Banks in Israel	3,690	3,690	-	-	2,588	2,333	-	-	-	-	-
Government of Israel	11,827	11,827	-	-	74	74	-	-	-	-	-
Total activity in Israel	**371,755**	**364,170**	**3,994**	**3,591**	**354,447**	**272,633**	**3,591**	**1,270**	**(270)**	**91**	**2,273**
Borrower activity overseas											
Total public – activity overseas	5,869	5,437	373	59	5,431	3,305	59	6	(7)	37	41
Overseas banks	9,081	9,081	-	-	7,286	7,260	-	-	(1)	-	1
Overseas governments	2,438	2,437	-	1	403	403	1	1	-	-	-
Total activity overseas	**17,388**	**16,955**	**373**	**60**	**13,120**	**10,968**	**60**	**7**	**(8)**	**37**	**42**
Total	**389,143**	**381,125**	**4,367**	**3,651**	**367,567**	**283,601**	**3,651**	**1,277**	**(278)**	**128**	**2,315**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 283,601; bonds – 14,307; securities borrowed or acquired in conjunction with resale agreements – 1332; Assets with respect to derivatives – 3,652; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 86,251.

(2) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements.

(3) Includes with respect to off-balance sheet credit instruments (included on balance sheet under Other Liabilities).

(4) Credit risk whose credit rating as of the report date matches the credit rating for new credit performance, in conformity with Bank policies.

(5) On- and off-balance sheet credit risk, which is non-accruing, inferior or under special supervision.

(6) Includes on-balance sheet credit risk amounting to NIS 1,699 million and off-balance sheet credit risk amounting to NIS 2,096 million, provided to certain purchase groups in the process of construction and includes off-balance sheet credit risk amounting to NIS 5,699 million for which insurance has been acquired to cover the portfolio of housing bonds and performance guarantees pursuant to the Sale Law from international re-insurers.

(7) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Exposure to foreign countries[1]

Reported amounts (NIS in millions)

Country	March 31, 2022			March 31, 2021[2]			December 31, 2021[2]		
									Exposure
	On balance sheet[3]	Off-balance sheet[3][4][5]	Total	On balance sheet[3]	Off-balance sheet[3][4][5]	Total	On balance sheet[3]	Off-balance sheet[3][4][5]	Total
USA	12,896	878	13,774	12,168	691	12,859	11,809	742	12,551
UK	3,215	864	4,079	-	-	-	3,156	1,086	4,242
Other	7,130	7,014	14,144	7,077	7,952	15,029	3,904	6,487	10,391
Total exposure to foreign countries	**23,241**	**8,756**	**31,997**	**19,245**	**8,643**	**27,888**	**18,869**	**8,315**	**27,184**
Of which: Total exposure to Greece, Portugal, Spain, Italy	52	5	57	40	9	49	49	6	55
Of which: Total exposure to LDC countries	519	58	577	498	121	619	548	54	602
Of which: Total exposure to foreign countries facing liquidity issues[6]	-	-	-	-	-	-	-	-	-

(1) Based on final risk, after effect of guarantees, liquid collateral and credit derivatives.
(2) Reclassified.
(3) On- and off-balance sheet credit risk is stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower and of borrower group.
(4) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits, in conformity with Proper Conduct of Banking Business Directive 313.
(5) The balance of off-balance sheet exposure includes NIS 6,240 million, mostly with respect to acquiring insurance from international reinsurers for the portfolio of housing bonds for borrowers in the real estate sector in Israel. (as of March 31, 2021: NIS 5,538 million; As of December 31, 2021: NIS 5,777 million).
(6) As of March 31, 2022, March 31, 2021 and December 31, 2021, the Bank had no exposure to foreign countries facing liquidity issues where the balance sheet exposure with respect to such countries exceeds the reporting threshold specified in Addendum 7, Chapter 651 of Public Reporting Regulations.

Credit exposure to foreign financial institutions

Below is information on the Bank's exposure to foreign financial institutions[(1)(2)] (NIS in millions):

External credit rating	On-balance sheet credit risk[(3)] Before offset of deposits with respect to master netting agreements[(5)]	After offset of deposits with respect to master netting agreements[(6)]	Off-balance sheet credit risk[(4)]	Current credit exposure Before offset of deposits with respect to master netting agreements	After offset of deposits with respect to master netting agreements[(5)]
					March 31, 2022
AAA to AA-	3,474	3,425	6,007	9,481	9,432
A+ to A-	1,627	1,421	292	1,919	1,713
BBB+ to BBB-	16	16	20	36	36
BB+ to B-	-	-	-	-	-
Lower than B-	-	-	-	-	-
Unrated	18	20	36	54	56
Total credit exposure to foreign financial institutions	**5,135**	**4,882**	**6,355**	**11,490**	**11,237**
					March 31, 2021
AAA to AA-	1,064	1,022	5,435	6,499	6,457
A+ to A-	1,060	1,033	183	1,243	1,216
BBB+ to BBB-	81	81	21	102	102
BB+ to B-	73	73	24	97	97
Lower than B-	-	-	-	-	-
Unrated	24	24	-	24	24
Total credit exposure to foreign financial institutions	**2,302**	**2,233**	**5,663**	**7,965**	**7,896**
					December 31, 2021
AAA to AA-	682	566	5,508	6,190	6,074
A+ to A-	2,305	1,653	240	2,545	1,893
BBB+ to BBB-	15	15	-	15	15
BB+ to B-	1	1	-	1	1
Lower than B-	-	-	-	-	-
Unrated	7	11	4	11	15
Total credit exposure to foreign financial institutions	**3,010**	**2,246**	**5,752**	**8,762**	**7,998**

(1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the former. Bank exposure is almost entirely to banks and investment banks primarily incorporated in the UK, USA, Germany, Switzerland and France.

(2) After deduction of provision for credit losses.

(3) Bank deposits, loans to the public, investment in bonds, securities borrowed or acquired in conjunction with resale agreements and other assets with respect to derivatives.

(4) The balance of off-balance sheet exposure to financial institutions includes NIS 6,240 million as of March 31, 2022 (as of March 31, 2021: NIS 5,538 million; as of December 31, 2021: NIS 5,777 million) with respect to acquiring insurance from international reinsurers for the portfolio of housing bonds for borrowers in the real estate sector in Israel as well as guarantees and additional commitments to extend credit, including guarantees to secure indebtedness of third parties.

(5) Presented net of fair value of liabilities with respect to derivative instruments for counter-parties which have signed master netting agreements.

(6) With respect to offset of cash deposits used as collateral for transactions with regard to financial derivatives.

Due to potential implications of the economic crisis resulting from the Corona Virus pandemic for the condition of many financial institutions world-wide, credit spread volatility in the first half of 2020 increased during the crisis period. Many financial institutions had their rating outlook lowered, with some ratings lowered as well. As from the second half of 2020 and in 2021, financial markets appeared to be stabilizing, although the financial system still reflects increased risk due to further waves of the Corona Virus and higher inflation in different parts of the world. Due to the higher inflation, in recent months many central banks started to apply a restraining monetary policy and to raise interest rates. In the near term, they are expected to further raise interest rates, which may bring about re-pricing of financial assets, market volatility and changes to credit conditions. Throughout this period and in conformity with developments, the Bank closely monitors all its exposure frameworks, analyzing and reviewing the relevant risks based on various parameters, as well as in conformity with the extent of business activity with counter parties; the Bank has updated the various exposure frameworks (right sizing). With regard to implications of the Russia-Ukraine war, which broke out on February 24, 2022, the Bank has assessed the risk with respect to the relevant financial institutions and adjusted the scope of activity as required. The Bank continues to monitor this risk.

As of March 31, 2022 and as of December 31, 2021, there was no net problematic credit risk (impaired, inferior or under special supervision).

The aforementioned credit exposure excludes exposure to financial institutions for which complete, explicit government guarantees are in place, and exclude investments in asset-backed securities. For more information with regard to credit exposure composition with respect to derivative instruments vis-à-vis banks and dealers/brokers (domestic and foreign), see Note 28.C. to the financial statements.
Some of the exposures listed in the above table are included under "Credit Risk by Economic Sector", under "Financial services". This includes deposits with banks, loans to the public, public investment in bonds and other assets with respect to derivatives. Futures transactions, weighted in accordance with rules stated in Proper Business Conduct Directive 313, are included as part of off-balance sheet credit risk, and are excluded from the above table.

In conjunction with its policies regarding management of exposure to foreign financial institutions, the Bank's Board of Directors sets, inter alia, the risk appetite – i.e. the maximum exposure limit for states and foreign financial institutions, while adjusting the exposure limit to the risk assessment for each state and financial institution. Exposure limits are set based, inter alia, on rating of the various nations and financial institutions and on Bank assessment of the risk level in a manner which diversifies exposure.

The Bank determines the exposure limit to each financial institution based on the most recent rating available for said institution, provided by one or more of the leading international rating agencies are used – based on financial information for the institution under review. Exposure limits per institution include maximum exposure amount and maximum time to maturity for different types of activities and transactions. To this end, the existence (or absence) of an offset agreement for derivative operations with these financial institution is also taken into consideration. The policies also specify a hierarchy of authority for approval of specific transactions within the exposure limits.

The Bank monitors current ratings published for financial institutions to which it has exposure, and adjusts the exposure limits and actual exposure, as required, to the current rating. The Bank also reviews on a regular basis any additional information available with regard to these institutions in order to monitor exposures even where the credit rating may not reflect the complete picture of the situation.

The Bank takes into consideration the maturity dates of its credit exposures in conjunction with the Bank's liquidity requirements. Deposits are normally deposited for short terms, whereas exposure with respect to derivatives and investments in securities are for longer terms.

Housing credit risk and its development

In conjunction with credit risks management, the Bank takes various actions to manage, control and mitigate risks associated with provision of residential mortgages. Residential mortgages account for a significant share of all credit risk at the Bank, but the Bank considers the risk profile associated with extending residential mortgages as low compared to the risk inherent in the Bank's overall loan portfolio, as this segment is still highly diversified and has a Low-Medium risk level, due to extensive diversification of borrowers from various economic sectors, relatively low LTV ratios, extensive geographic diversification of pledged assets and use of various risk mitigators, including property and life insurance, to mitigate credit risk in this segment.

The Bank acts regularly to control and manage the risk associated with residential mortgages, for which the Retail Division, the Risks Control Division and other Bank entities are responsible.

Bank policy with regard to mortgages is based on an individual approach to limit the specific risk for each loan, by reviewing various risk attributes, portfolio analysis by risk factors (LTV, repayment ratio, geographic location, loan age, income decile and so forth) and reviewing borrower quality and capacity to make current repayments even under scenarios of change in interest rates, in repayment ratio compared to fixed household income, review of employment data and LTV. The Bank sometimes requires additional bolstering for the loan, such as guarantors for the loan, proven repayment capacity not based on regular borrower income and other bolstering measures. The Bank has an advanced model for rating residential mortgages, which includes a rating for each loan and calculation of potential loss in case of failure. This model is part of the Bank's existing monitoring tools.

Risk appetite and risk profile in mortgage segment

As part of its credit risk policies, the Bank has set various restrictions on residential mortgage operations, to account for major risk factors. These factors are reviewed from time to time and additional restrictions are imposed as needed, i.e. based on the actual risk profile of the mortgage portfolio and its trend, as well as on regulatory directives from the Bank of Israel.

These restrictions, as a whole, form the Bank's risk appetite for mortgages is defined using multiple risk benchmarks, which evaluate credit risk and concentration risk aspects at regular performance level and the overall portfolio. These benchmarks include: the LTV ratio, property location (geographic risk), credit quality benchmark (see below under Credit Control), loan repayment to income ratio, loan purpose, loan term, loan track mix, property type, document quality, normative interest rate, financial wealth and cross restrictions on combinations of multiple parameters.

The Bank acts regularly to control and manage the risk associated with residential mortgages, for which the Retail Division, the Risks Control Division and other Bank entities are responsible. This activity also includes portfolio analysis and monitoring by key risk factors and estimation of portfolio risk using an advanced model for rating residential mortgages, including rating of each loan and calculation of probability of default and potential loss given default, as well as conducting various stress scenarios to review the effect of changes to macro-economic factors on the portfolio risk level, primarily the impact of change in unemployment, change in housing prices and change in interest rates.

The Bank constantly monitors the risk profile of the mortgage portfolio and its development over time, in view of the specified risk appetite. In particular, this monitoring is conducted through the Bank's quarterly risks document which is presented to and approved by Bank Management, the Board of Directors and its Risks Management Committee. Such monitoring reveals that leading risk benchmarks continue to remain relatively low. These benchmarks include: LTV ratios, repayment ratio, rate of obligation in default and, in particular, the rate of arrears for new loans (one year since origination), which is testimony to the high quality of underwriting at the Bank. Note that the average LTV ratio for the Bank's mortgage portfolio (at end of March 2022) was 53.6% (reflecting the LTV ratio upon loan origination – see more details below). The Bank also estimates the "actual" LTV ratio for the portfolio, based on changes to property values, based on estimates by the Central Bureau of Statistics against the outstanding portfolio balances. This ratio is lower than the original LTV ratio due to the constantly higher housing prices, reflected by the mortgage inventory in the portfolio. These data support the Bank's estimate that the potential for loss due to the Bank's mortgage portfolio, even in scenarios involving material decline in housing prices, is low. In addition, the Bank regularly reviews its mortgage portfolio under stress conditions, including under significant change in macro-economic conditions, using multiple methodologies. The outcome of stress testing indicates that portfolio risk has decreased and that the potential impact of a severe stress event in the market is low.

Corona Virus pandemic

The Bank continues to closely monitor the developments and implications of the Corona Virus outbreak on its clients, with attention paid to factors that may affect the risk level in the mortgage portfolio.

The risk level in the residential mortgage portfolio decreased in the second quarter of 2021 to its pre-crisis level of Low risk, in view of the significantly lower volume of loans subject to deferral and with most of the clients subject to deferral resuming regular payments and the low, steady readings of key risk benchmarks. The Bank continued to monitor this activity and risk aspects with regard to the following: The outstanding deferral amount and the partial repayment rates, deferral period, borrower profile, LTV ratio and so forth. The Bank also monitors development of borrower behavior after expiration of the repayment deferral.

Volume of mortgages granted by the Household segment is as follows:

	Loans granted (NIS in millions)		
	First quarter		Rate of Change
	2022	2021	In %
Mortgages issued (for housing and any purpose)			
From the Bank's funds	11,747	8,105	44.9
From funds of the Finance Ministry:			
Directed loans	54	65	(16.9)
Standing loans and grants	27	23	17.4
Total new loans	**11,828**	**8,193**	**44.4**
Refinanced loans	2,387	1,023	133.3
Total loans originated	**14,215**	**9,216**	**54.2**
Number of borrowers (includes refinanced loans)	17,966	13,370	34.4

Below are details of various risk attributes of the residential mortgage portfolio(1) as of March 31, 2022 (NIS in millions):

LTV ratio	Repayment ratio out of regular income	Up to 3 months	3-12 months	1-2 years	2-5 years	5-10 years	Over 10 years	Total
		Loan age(2) (time elapsed since loan grant)						
Up to 60%	Up to 35%	4,545	13,603	12,950	31,389	26,966	10,517	99,970
	35%-50%	698	1,746	1,599	3,019	5,043	3,064	15,169
	50%-80%	-	-	4	18	425	828	1,275
	Over 80%	-	3	-	1	24	87	115
60%-75%	Up to 35%	3,854	11,223	9,861	16,579	11,817	2,807	56,141
	35%-50%	689	1,585	1,005	1,269	1,675	932	7,155
	50%-80%	-	2	-	2	87	209	300
	Over 80%	-	-	-	-	-	21	21
Over 75%	Up to 35%	25	170	192	350	311	950	1,998
	35%-50%	7	21	7	19	61	263	378
	50%-80%	-	-	-	1	3	77	81
	Over 80%	-	-	-	-	-	13	13
Total		**9,818**	**28,353**	**25,618**	**52,647**	**46,412**	**19,768**	**182,616**
Loans granted with original amount over NIS 2 million		1,416	3,835	2,510	3,640	2,397	808	14,606
Percentage of total residential mortgages		14.4%	13.5%	9.8%	6.9%	5.2%	4.1%	8.0%
Loans bearing variable interest:								
Non-linked, at prime lending rate		3,722	11,282	8,531	16,712	13,768	7,700	61,715
CPI-linked(3)		440	2,174	481	960	638	3,225	7,918
In foreign currency(3)		132	491	474	1,175	783	747	3,802
Total		4,294	13,947	9,486	18,847	15,189	11,672	73,435
Non-linked loans at prime lending rate, as percentage of total residential mortgages		37.9%	39.8%	33.3%	31.7%	29.7%	39.0%	33.8%
CPI-linked loans bearing variable interest as percentage of total residential mortgages		4.5%	7.7%	1.9%	1.8%	1.4%	16.3%	4.3%
Loans with LTV over 75% as percentage of total residential mortgages		0.3%	0.7%	0.8%	0.7%	0.8%	6.6%	1.4%
Loans with LTV over 75% as percentage of total residential mortgages		0.4%	0.6%	0.7%	0.7%	1.0%	6.8%	1.4%

(1) Balance of residential mortgages after provision for credit losses.

(2) The loan balances presented above are aged based on the date of loan origination, and include under the same age group any loan balances actually provided at a later date.
Furthermore, loan refinancing does not modify the loan age, i.e. the loan balance is attributed to the original loan origination date.
This treatment also applies to refinancing of "directed" loans originally guaranteed by the State and refinanced to loans for which the Bank is responsible.

(3) Pursuant to directives by the Supervisor of Banks, these include loans for which the interest rate is adjusted more frequently than once every 5 years (not inclusive).

Attributes of the Bank's housing loan portfolio

The Bank's policies with regard to mortgages are based on a conservative approach, limiting specific risk for each loan by evaluating various attributes. These attributes include: LTV ratio, ratio of repayment to regular borrower income, and borrower capacity to make current repayments even under scenarios involving a change in interest rates. Whenever loans are granted with attributes which do not meet one or more of the standards set by the Bank for these attributes, the Bank requires additional bolstering for the loan, such as guarantors for the loan, proven repayment capacity not based on regular borrower income etc. In recent years, due to expansion of the housing market and relatively low interest environment, the Bank has enhanced measures taken to monitor and mitigate risk, as reflected by loan risk factors, as detailed below (all data below as of March 31, 2022).

LTV

One of the key parameters used by the Bank in minimizing risk in its residential mortgage portfolio is the LTV ratio (ratio of loan amount to value of the property pledged as collateral).

The average loan-to-value ratio for the Bank's mortgage portfolio as of March 31, 2022 was 53.6%, compared to 53.0% on March 31, 2021 and to 53.4% on December 31, 2021. Out of the total loan portfolio of the Bank, amounting to NIS 182.6 billion, some 98.6% were granted with an original LTV ratio under 75%, which secures the loan even in case of an extreme 25% decrease in value of the property pledged as collateral.

The LTV ratio in this report is the historical LTV ratio calculated upon loan approval, and does not account for any current repayments which reduce the loan balance nor any changes in value of properties pledged as collateral. The significant increase in housing prices, as from late 2008 and, conversely, reduced loan balances due to current repayments result in a decrease in the current "actual" LTV ratio and, as noted above, based on changes to property values as estimated by the Central Bureau of Statistics, against current portfolio balances. This ratio is lower than the historical LTV ratio. Total loans granted at LTV ratios over 75% in the past two years amounted to NIS 0.4 billion, or only 0.2% of the total residential mortgage portfolio.

Note, in this regard, that the Bank's average LTV ratio as of March 31, 2022, based on current outstanding balances (with no change to property value due to changes in housing prices) would have decreased as follows: For loans originated up to one year ago – by 3.6%. For loans originated one to 5 years ago – by 4.5%; for loans originated over 5 years ago – by 18.2%; for all loans in total – by 9.3%.

The percentage of loans granted with a high LTV ratio (over 75%) out of total residential mortgage portfolio of the Bank to 0.8% for loans granted 1-2 years ago, 0.7% for loans granted 3-12 months ago and 0.3% for loans granted in the first quarter of 2022.

Repayment as percentage of regular income

The LTV ratio of a residential mortgage is a benchmark of loan security, regardless of borrower attributes. Therefore, in addition, when a mortgage is approved, the Bank requires borrowers to show their capacity to make current loan repayments on schedule, primarily by calculating the ratio of monthly repayment to regular borrower income.

The average repayment ratio for the Bank's residential mortgage portfolio is 23.8%. 87.0% of the Bank's mortgage portfolio were granted to borrowers with a repayment ratio under 35% (the average repayment ratio for these borrowers is: 22.8%). Some 12.0% of the mortgage portfolio were granted to borrowers with a repayment ratio of 35% to 50% (the average repayment ratio for these borrowers is: 38.8%). Some 0.9% of mortgages was granted to borrowers with a repayment ratio of 50% to 80% (the average repayment ratio for these borrowers is 59.3%) and 0.1% only were granted to borrowers with a repayment ratio over 80% (the average repayment ratio for these borrowers is 91.5%).

The loans with a high repayment ratio are loans granted to borrowers with significant other assets, whose repayment capacity is not necessarily based on current income, to borrowers with very high income where the repayment ratio is less significant, or where additional bolstering of the loan is in place, in addition to the pledged property and repayment capacity of the borrower, such as financially robust guarantors.

Loans bearing variable interest

The Bank offers clients residential mortgages which in part bear adjustable interest and in part are linked (to CPI, foreign currency) or non-linked (NIS-denominated loans).

On December 27, 2020, the Bank of Israel issued an update to Proper Conduct of Banking Business Directive 329 concerning "Restrictions on extending residential mortgages". The update includes elimination of the restriction on lending at the prime lending rate, so that the restriction of at least one third of the mortgage that must bear fixed interest remains, and up to two thirds may be extended bearing variable interest.

The amendments to the directive pursuant to the circular are effective as from January 17, 2021. For residential mortgages intended to finance early repayment of a loan extended by the Bank or by another bank, the amendment shall apply as from February 28, 2021.

The Bank provides clients with the knowledge and expertise of its staff in order for clients to understand the risk involved with a loan bearing adjustable interest and how this risk may be mitigated or avoided. The Bank advises clients to attribute appropriate weighting to this risk, and to be cautious when deciding upon the loan composition.

Total loans linked to the prime lending rate granted over the past two years, which constitute the major portion of risk associated with such mortgages, is NIS 23.5 billion, or 12.9% of the residential mortgage portfolio.

Note that before approving a loan linked to the prime lending rate, similar to loan approvals for other variable interest tracks, the Bank evaluates the repayment capacity of the borrower under scenarios where the prime lending rate would increase to the "normative interest rate".

Loan amount

Loans granted by the Bank with an original amount over NIS 2 million amounted in total to NIS 14.6 billion on March 31, 2022, or only 8.0% of the Bank's residential mortgage portfolio.

For more information about housing credit risk, see also the 2021 Risks Report available on the Bank website.

Operational Risk

Risk description and development thereof

Operating risk is material as it occurs across all areas of activity and in all Bank units. Operating risk may potentially impact earnings, revenues, capital and reputation of the Bank and is correlated with other risks, such as: market risk, credit risk, liquidity risk, reputation risk and other risks. Operating events sometimes occur which are not under control of the Bank, and may develop as a result of external events, some of which are unforeseen, with chances of occurring which cannot be estimated in advance, such as: natural disaster (earthquake, flooding), pandemic or security event. Therefore, efficient risk management is crucial for the Bank's risk management processes.

Operational risk is inherent in all products, activities, processes and systems at the Bank. With the developments in global markets and the higher complexity of financial activity and supporting technological infrastructure, an understanding has emerged, that Bank exposure to potential loss due to failures in regular operating activity may impact the business activity.

Operational risk is defined by the Bank of Israel as the risk of loss due to inappropriateness or failure of internal procedures, people, systems or due to external events.

The Bank has defined a framework for management of operational risks, which includes a definition of corporate governance that specifies the roles and responsibilities of the lines of defense and the importance of deploying an appropriate operational risk management culture at the Bank.

The Bank actively handles operational risk in order to support operations of the business units, to improve major business processes associated with their operations and thus, to increase business value, rather than only reduce expected loss due to operational risk.

Operational events are classified under seven risk categories, in conformity with Basel principles: Embezzlement (Bank defrauded by its employees), external fraud (Bank defrauded by client), work practices and safety of the work environment (loss due to actions not in line with labor laws or agreements), practices regarding clients, products and business (failure to meet obligations to client), damage to physical assets, performance, distribution and process management and business disruptions and system failures. The Bank manages and measures operational risk base on these categories as well.

Business continuity

The Bank applies Proper Conduct of Banking Business Directive 355 concerning "Management of business continuity".
In the first quarter, the Bank continued to adhere to the Corona Virus guidelines with regard to wearing masks indoors, maintaining hygiene and social distancing, barriers at public service counters and so forth, and continued to allow for remote work as needed based on a rapid, structured process. The Bank continues to monitor the morbidity and quarantine rate, and adheres to current procedures and guidelines issued by the Bank of Israel and by the Government.
In the first quarter, the Bank continues to implement the annual work plan and the exercise plan for 2022, including the following: Conduct an exercise of the foreign trade unit by operating emergency procedures and working under a scenario of computer failure and complete technology exercise, including using the Swift system with the backup site. As part of maintaining and deploying the business continuity program, all emergency files at branches were revised, and all branches received emergency kit updates, as well as custom development in the emergency system, designed to improve capacity with regard to mortgages during emergency. The training kit on business continuity for branches was also extensively revised.
In this quarter, too, the Bank continued to be in close contact with business continuity units of the Group and at overseas affiliates.

Recently, as the morbidity rate decreased and restrictions were lifted in line with the Ministry of Health policy, the Bank lowered its state of alert to Routine.
However, the Bank continues to follow and monitor the state of morbidity at the Bank and maintains all emergency systems on alert in case of a renewed outbreak.

Information security and cyber defense

Cyber and information security risk is risk arising from faults in protection of the Bank's computer systems and information stored there. Cyber risk arises from an event including an attack on computer systems by or on behalf of internal or external adversaries of the Bank.

Directive 361 with regard to Cyber Defense Management provides guidelines for proper management of cyber risks, which require expansion and adjustment of the IT risks management framework with regard to the threat space perception and the required defensive capabilities. Accordingly, the Bank has approved strategy and comprehensive cyber defense policies and has specified the defense lines for their implementation, has appointed an Chief Information Security Officer, reporting to the Manager, Risks Control Division – responsible, inter alia, for setting policies on information security and cyber defense at the Bank, development of a cyber defense work plan, monitoring the implementation of this work plan and review of the effectiveness of systems and processes for information security and cyber defense.

Direct banking systems at the Bank include information security processes in conformity with Proper Conduct of Banking Business Directive 367, including authentication mechanisms, transmission of information to clients and identification of exceptional transactions.

In the first quarter of 2022, the risk level remained Medium.

The Bank continues to reinforce the defense mechanisms applied in Bank systems, in order to further limit the ability to defraud clients and to conduct un-authorized transactions in client accounts. These actions are part of the debrief and lesson learning processes in place at the Bank with regard to this evolving threat.

During the Corona Virus crisis, the Bank's information security team operates fully and continuously, improving and bolstering defense capabilities and mechanisms, in conformity with expansion of threats and challenging needs which the Bank is required to face.

The relationships and information flow between these units have been specified in procedures, including reference to: Information security, physical security, IT governance, IT operations, risks management, fraud, human resource management, business continuity, client relationship management, spokesperson operations and legal counsel.

Information security and cyber defense policies at the Bank are implemented, inter alia, by the Mizrahi Tefahot Technology Division Ltd. As part of this effort, the management concept applied includes guidelines for management of cyber security. Application of these guidelines and ensuring that they are current while incorporating them into strategic decisions and business and operational activity at the Bank – will ensure the consistency and integrity of the cyber security management concept over time.

We should note that the Corona Virus pandemic has elevated cyber risk across the world, both due to increase in working remotely, which provided more attack vectors for organizations and due to increased fraud attempts in the shadow of the outbreak. Bank operations during this period retained the risk level at the Bank unchanged.

IT risk

IT risk is risk arising from failure of the Bank's IT systems as a result of deficient availability and performance of these systems, incorrect performance and lack of support by the systems for the Bank's business needs.

In recent years, the risks associated with IT management have increased, due to development and deployment of new technologies and evolution of new risk and threats. Other than under routine conditions, the IT management framework addresses system failures, such as: system faults and preparation for emergency situations. This is also intended to ensure that the Bank maintain business continuity during an alert or emergency. This may mitigate reputation risks and business risks which could arise under such conditions.

The Technology Division Manager is responsible for management of IT assets and the management framework is specified in a special policies document, in line with principles specified in policy documents on risks management and control at the Bank. The IT asset management policy is in line with requirements of the Supervisor of Banks and, in particular, with the principles stipulated in Proper Conduct of Banking Business Directive 357 "IT management"; Proper Conduct of Banking Business Directive 350 "Operational risk management"; Proper Conduct of Banking Business Directive 355 "Business continuity management" and Proper Conduct of Banking Business Directive 361 "Cyber security management".

Risk appetite is defined in quantitative and qualitative terms under normal and emergency scenarios, with the Bank's risk appetite in operational aspects for IT risk included under management of operational risk appetite. Risk appetite for technology aspects is defined by multiple benchmarks, including risk levels on the map of technology risk and specific risk appetite for diverse risk factors.

The Bank operates multiple measures to mitigate risk, including use of indicators (KRI) and support systems. Note that the SOC (Security Operation Center) operates 24/7 and is responsible for monitoring Bank infrastructure and systems, analyzing logs and identifying anomalies in real time, unusual behavior of users and systems in the network from information and cyber security aspects. The Bank also has a NOC (Network Operations Center), operating 24/7 as an operational unit for presenting the unified picture of enterprise infrastructure, capability for monitoring and forecasting faults, analyzing logs and identifying anomalies from technology risk aspects. In 2021, the Bank continued to reinforce its capacity to identify malfunctions in early stages, and expanded the use of bots to improve the effectiveness of system availability monitoring.

Given current developments in the financial market and the age of current Bank systems, the Bank launched, in the first quarter of 2019, a project to replace the Bank's capital market core system based on a new platform.

Moreover, in 2019 the Bank launched a project to replace the CRM system, which would take place gradually over several years. In March 2022, several milestones reached a production pilot stage, after which they would be deployed across the Bank, concurrently with continued development of the next milestones.

As part of the Union Bank merger process, the Bank's Technology Division is conducting a technology merger program, consisting of multiple projects designed to transfer Union Bank activity that is based on Bank Leumi and Union Bank systems and integrating them with the Bank's systems.

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank Board of Directors. The assumptions may fail to materialize due to factors not entirely under the Bank's control.

The risk level during this quarter and throughout the Corona Virus crisis remained unchanged. The Technology Division operated in providing full support for regular operations at the Bank and for technology needs required for Bank operations during emergency routine operations. There were no material events and/or malfunctions during this period.

Legal risk

Legal risk is defined in Proper Conduct of Banking Business Directive 350 regarding "Operational risks" and includes absence of potential for legal enforcement of an agreement and includes, but is not limited to exposure to fines or penalties arising from supervisory action, as well as from individual arrangements. Legal risk also includes risks arising from legal exposure due to Bank conduct with its various stakeholders (such as: clients, suppliers and other third parties). Legal risk includes risks arising from legislative and regulatory provisions, rulings by judiciary or quasi-judiciary authorities as well as legal risks arising from regular Bank operations. The Chief Legal Counsel for the Bank has been appointed Chief Legal Risks Manager. The Bank constantly strives to minimize as much as possible the legal risks associated with its current operations, and acts to disseminate a practical culture leading to identification and mitigation of legal risk in all its different aspects.

The Bank's Legal Division regularly analyzes the legal risk components, the risk boundaries (arising, for example, from the counter-party identity, from creation of collateral etc.) as well as specific risk attributes while reviewing its risk level and exposure with attention to the different lines of business at the Bank and provides current legal advice to the Bank and its various units.

In the first quarter of 2022, legal risk remained Low-medium.

For more information about operational risk, see the Risks Report for the first quarter of 2022, available on the Bank website.

Market risk and interest risk

Risk description and development thereof

Market risk – This is the risk of loss from on– and off-balance sheet positions, arising from change in fair value of financial instruments, due to change in market risk factors (interest rates, exchange rates, inflation, prices of equities and commodities).

Interest rate risk in the banking portfolio is the risk to Bank profit (change in revenues) or to the Bank's economic value, primarily due to changes in the structure of interest rate curves relevant for Bank operations, non-identical fluctuations of various curves used by the Bank for pricing and management of its exposures, or from the fact that a change in interest rates may result in a change in composition of the Bank's assets and liabilities due to exercise of options for early repayment due to change in market interest rates.

The market risk in the trading portfolio is minimal, in line with Bank policy. The Bank structure, which is weighted towards the mortgage portfolio, produces long-term uses for which the Bank requires sources. The Bank regularly reviews the risk estimation methodology, in line with global common practice.

Note that Union Bank's nostro portfolio reflects risk that is higher than the Bank's risk appetite. However, at the Bank level on consolidated basis, the impact of this portfolio is not material.

Assessment of Bank exposure to interest risks in the first quarter of 2022 is Low-medium.

Risk values measured in the normal course of business and under stress scenarios were higher in this quarter, due to current banking operations in the mortgage segment, and range at levels lower than the specified risk appetite. In this quarter, inflationary expectations increased. The Bank continued to strictly manage its CPI-linked position, based on creating a daily linkage balance sheet and establishing a forecast position under various scenarios.

Below is the VAR for the Bank Group (NIS in millions):

	First quarter		All of
	2022	**2021**	**2021**
At end of period	555	806	592
Maximum value during period	(Feb.) 611	(Feb.) 810	(Feb.) 810
Minimum value during period	(Jan.) 553	(Jan.) 791	(OCT.) 521

Market risk is primarily due to interest risk in the bank portfolio, as presented below.

Back-testing of the historical-analytic VAR model in the overall portfolio showed no profit/loss observations which deviate from the VAR model forecast. Absence of such deviations is in line with the criteria as defined by the Basel Committee for review of the VAR model quality.

Analysis of interest risk in bank portfolio

Below is the effect[1] of a parallel shift of the curve by 2% on the economic value of the Bank's portfolio in EVE terms (NIS in millions):

						March 31, 2022
						Change in fair value
	Israeli currency		**Foreign currency**			
	Non-linked	**Linked to CPI**	**USD**	**EUR**	**Other**	**Total**
2% increase	(1,501)	(1,444)	469	9	17	(2,450)
2% decrease	529	799	(463)	37	(19)	883
						March 31, 2021
2% increase	(369)	(1,564)	403	18	18	(1,494)
2% decrease	(249)	1,134	(417)	20	(20)	468
						December 31, 2021
2% increase	(905)	(1,187)	418	14	16	(1,644)
2% decrease	(82)	427	(439)	14	(17)	(97)

(1) Calculated based on current data used for actual interest risk management.

In preparing the mortgage repayment cash flows forecast for the Bank, assumptions with regard to the prepayment rate and manner are taken into account.

Credit balances in checking accounts are attributed in line with common practice in conformity with the Basel directives, i.e. over an average term of 3-4 years for different client types.

The Bank regularly reviews the risk estimation methodology, in line with global common practice.

Under the scenario of concurrent interest rate increase by 1%, the capital reserve with respect to securities is expected to decrease by NIS 342 million.

Quantitative information about interest risk – Sensitivity analysis

Net adjusted fair value(1) of financial instruments of the Bank and its subsidiaries thereof:

	As of March 31, 2022			As of March 31, 2021			As of December 31, 2021		
	NIS	Foreign currency(2)	Total	NIS	Foreign currency(2)	Total	NIS	Foreign currency(2)	Total
Net adjusted fair value(1)	20,764	435	21,199	17,372	461	17,833	18,054	363	18,417
Of which: Banking portfolio	16,878	2,300	19,178	5,127	8,837	13,964	14,355	2,250	16,605

Impact of change scenarios in interest rates on net adjusted fair value(1) of the Bank and its subsidiaries:

	As of March 31, 2022			As of March 31, 2021			As of December 31, 2021		
	NIS	Foreign currency(2)	Total	NIS	Foreign currency(2)	Total	NIS	Foreign currency(2)	Total
Concurrent changes									
Concurrent 1% increase	(396)	71	(325)	39	104	143	57	134	191
Of which: Banking portfolio	(362)	90	(272)	54	134	188	95	140	235
Concurrent 1% decrease	(171)	(125)	(296)	(429)	(110)	(539)	(297)	(193)	(490)
Of which: Banking portfolio	(197)	(143)	(340)	(392)	(142)	(534)	(333)	(199)	(532)
Non-concurrent changes									
Steeper(3)	(193)	(49)	(242)	(158)	(4)	(162)	(240)	(32)	(272)
Shallower(4)	28	86	114	213	46	259	311	87	398
Short-term interest increase	227	144	371	378	94	472	314	163	477
Short-term interest decrease	(66)	(148)	(214)	(35)	(102)	(137)	85	(168)	(83)

(1) Net fair value of financial instruments, except for non-monetary items, after effect of liability with respect to employee rights and attribution of on-call deposits to terms.
(2) Includes Israeli currency linked to foreign currency.
(3) Short-term interest decrease and long-term interest increase.
(4) Short-term interest increase and long-term interest decrease.

The difference between Bank exposure to changes in interest according to net adjusted fair value and sensitivity of economic value (EVE) presented above, under a 1% concurrent shift of the curve, amounts to NIS 633 million.

Most of this difference is due to use of different capitalization curves. The capitalization curves used to analyze sensitivity of economic value (EVE) are transfer pricing curves, while discount rates used to present net adjusted fair value are possible discount rates for similar transactions on the balance sheet date, reflecting the inherent risk for a similar client.

This calculation allows for scenarios which may result in negative interest rates and does not cap interest rates at 0%.

See Note 15 to the financial statements for additional information.

For more information about assumptions used in calculation of the fair value of financial instruments, see Note 33 to the financial statements as of December 31, 2021.

Note that the internal rate of return and the average effective duration, as presented under Bank exposure to changes in interest rates on the Risks Report, are average data and therefore it is not possible to make deductions based on a linear change there to with regard to sensitivity of net adjusted fair value to changes in interest rates.

Impact of change scenarios in interest rates on net interest revenues and non-interest financing revenues[(1)]:

	As of March 31, 2022			As of March 31, 2021			As of December 31, 2021		
	Interest revenues	Non-interest financing revenues[(3)]	Total	Interest revenues	Non-interest financing revenues[(3)]	Total	Interest revenues	Non-interest financing revenues[(3)]	Total
Concurrent changes[(2)]									
Concurrent 1% increase	1,335	21	1,356	1,191	81	1,272	1,291	30	1,321
Of which: Banking portfolio	1,334	47	1,381	1,189	107	1,296	1,291	47	1,338
Concurrent 1% decrease	(1,210)	(27)	(1,237)	(955)	(82)	(1,037)	(1,158)	(36)	(1,194)
Of which: Banking portfolio	(1,210)	(57)	(1,267)	(953)	(111)	(1,064)	(1,157)	(59)	(1,216)

(1) For a one-year term.
(2) Changes to risk-free interest.
(3) Includes the effect of fair value, gain (loss) from transactions in bonds and the effect of interest accrual for transactions in derivatives.

Below are the key assumptions underlying the above data, which are in line with how the Bank manages interest risk:

- Credit balances in checking accounts are attributed in line with common practice in conformity with the Basel directives, i.e. over an average term of 3-4 years for different client types.
- When calculating sensitivity of interest revenues, the risk-free interest rate is not capped at a minimum of 0%. In the same way, no cap is applied to the discount rate at 0% when calculating non-interest financing revenues.

For further details of assumptions used in calculation of the fair value of financial instruments, see Note 15 to these financial statements and Note 33 to the financial statements as of December 31, 2021.

Analysis of CPI and exchange rate exposures

Below is analysis of the sensitivity of Bank Group capital to changes in major exchange rates and in the CPI (before tax effect) as of March 31, 2022, capital increase (erosion) (NIS in millions):

	Scenarios				Historical stress scenario[(1)]	
	10% increase	5% increase	5% decrease	10% decrease	Maximum increase	Maximum decrease
CPI[(2)]	1,736.1	868.1	(868.1)	(1,736.1)	181.7	(155.8)
USD	5.8	6.9	(1.4)	16.7	6.4	(3.4)
GBP	0.6	0.3	(0.4)	(0.8)	0.2	(0.5)
JPY	0.4	0.1	0.1	0.2	0.1	0.1
EUR	8.2	3.2	(3.0)	(4.4)	2.6	(3.1)
SFR	(0.2)	(0.1)	0.1	0.2	(0.2)	0.1

(1) Stress scenarios were calculated based on daily changes in the exchange rate and monthly changes in the CPI, in the last 10 years.
(2) Capital sensitivity to a 3% increase / decrease in the CPI is NIS 520.8 million and NIS (520.8) million, respectively.

The Corona Virus crisis resulted in lower inflationary expectations due to the expected decrease in demand. The Bank continued to strictly manage its CPI-linked position, based on creating a daily linkage balance sheet and establishing a forecast position under various scenarios.

For more information about market and interest risk, see the Risks Report on the Bank website.

Share price risk

For more information about share price risk, see the 2021 Risks Report available on the Bank website.

For information about equity investments, see Note 5 to these financial statements and Notes 12 and 15.A to the 2021 financial statements.

Liquidity and financing risk

Risk description and development thereof

Liquidity risk – risk due to uncertainty about resource availability and the capacity to realize assets in a specified time at a reasonable price.

Financing risk – risk resulting from shortage of financing sources or too high costs to raise such sources.

Liquidity risk is managed subject to the limitations of the Board of Directors and Management in an effort to minimize the losses deriving from an investment of surplus liquidity in assets that are highly liquid, but have a low yield.

In the first three months of 2022 there were no deviations from the Board of Directors' limitations.

In early December 2021, the Bank raised its alert level to High Alert, due to the significant increase in morbidity in Israel and world-wide due to the Omicron outbreak and due to market volatility. In early March 2022, the Bank raised its alert level for liquidity, due to deterioration in the fighting in the Ukraine and sharp volatility in financial markets. This alert level includes operational measures designed to ensure that the Bank maintains appropriate liquidity in times of crisis. In practice, no events and/or indications were observed which would indicate realization of a liquidity event.

During this quarter, the liquidity coverage ratio decreased slightly, primarily due to increase in loans to the public, offset by increase in deposits from the public.

For more information about liquidity risk, see also the 2021 Risks Report available on the Bank website.

Financing risk is managed, as part of the liquidity risk, using Board and Management restrictions on concentration of financing sources and through reduced dependence on material counter-parties.

The Bank's main financing sources are stable and diverse sources for different time horizons – retail and business deposits, long-term deposits from financial institutions and issues of bonds and notes. The Bank sees the great importance of diversification of its financing sources and acts proactively to identify sources for longer terms, including through a wide range of deposits offered by the Bank to its clients, deposits with unique attributes, which allow clients to benefit from relatively high interest over the long term with optional liquidity during the deposit term. In the first three months of 2022, the Bank continued to diversify its financing sources and to reduce the concentration risk. In this quarter, concentration risk for financing sources remained low.

For more information about financing sources, see chapter "Developments in financing sources" above.

For more information about financing risk, see also the 2021 Risks Report available on the Bank website.

Liquidity coverage ratio

In conformity with Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio", the minimum regulatory requirement is 100%. As part of its risks management policy, the Bank's Board of Directors specified that additional safety cushions are to be maintained, beyond the regulatory minimum ratio; so that the target liquidity coverage ratio for the Bank and the Group in 2021 would by 5% higher than the minimum required. This ratio is managed and reported for all currencies in aggregate and for NIS separately, both at Bank level and on Group basis. The ratio for the Bank solo and the consolidated ratio are calculated daily and reported as the average of daily observations over 90 days prior to the report date. This directive is in addition to liquidity risk management using internal models, as stipulated by Directive 342.

The average liquidity coverage ratio (consolidated, including data for Union Bank) for the first quarter of 2022 was 120%. As noted above, in this period there were no recorded deviations from these restrictions.

Net stable funding ratio

Proper Conduct of Banking Business Directive 222 "Net stable funding ratio" stipulates a minimum net stable funding ratio of 100% ("Regulatory NSFR") of available stable funding and required stable funding. As part of its risks management policy, the Bank's Board of Directors specified that additional safety cushions are to be maintained, beyond the regulatory minimum ratio; so that the net stable financing ratio for the Group would be 5% higher than the minimum required. This ratio is managed and reported in total for all currencies, on consolidated basis.

As of March 31, 2022, the ratio on consolidated basis was 116%.

As of March 31, 2022, the balance of the three largest depositor groups at the Bank Group amounted to NIS 12.7 billion.

Raising sources and liquidity at the Bank – In the first quarter of 2021, deposits from the public rose from NIS 307.9 billion on December 31, 2021 to NIS 312.7 billion on March 31, 2022, an increase by 1.5%.

In the non-linked segment, deposits from the public amounted to NIS 235.6 billion, an increase by 1.1% compared to end of 2021. In the CPI-linked sector, deposits from the public amounted to NIS 22.7 billion, an increase by 5.7% compared to end of 2021, and in the foreign currency sector – to NIS 54.3 billion, an increase by 1.9% compared to end of 2021.

For more information about the liquidity coverage ratio, see the Risks Report available on the Bank website.

Other risks

Compliance and regulatory risk

Risk description and development thereof

Compliance risk is the risk of imposition of legal or regulatory sanctions, material financial loss or damage to reputation, which the Bank may incur due to its failure to comply with compliance provisions.

Compliance risk includes conduct risk, cross-border risk and AML and terror financing risk, presented separately below.

The compliance and regulatory Risk Manager for the Bank is the Manager, Risks Control Division. The Compliance Officer is responsible for continuous management of this risk.

Compliance risk remained unchanged in the first quarter of 2022, at Low-medium.

This risk assessment is due, *inter alia*, to addressing of risks classified as high and to further enhancement of controls, training delivery, findings of surveys and audit reports and improvement in efficiency of work processes in this area, while incorporating technology improvements. In the current quarter, the Bank took action to implement the applicable directives by the various regulators. The Bank also applied regular controls, in order to monitor compliance risk that may materialize during this period.

The Bank has internal enforcement programs for securities and for anti-trust law.

For more information about compliance risk and regulation, see also the 2021 Risks Report available on the Bank website.

Cross-border risk

Risk description and development thereof

Cross-border risk is the risk of financial loss (including due to legal proceedings, fines or sanctions imposed by statutory authorities or others in Israel and in other countries) and of impact to reputation, arising from the Bank's failure to comply with statutory provisions originating in other countries – whether provisions binding on the Bank or provisions which are not binding, but failure to comply with them may cause the Bank to incur damage, or from overseas activities of Bank clients in contravention of any statutory provisions.

Cross-border risk includes, inter alia, risk of damage, including impact to reputation, due to lawsuits or other enforcement proceedings brought by authorities in other countries, with regard to foreign tax laws applicable to certain Bank clients, AML and terror financing laws, sanctions imposed by international bodies and foreign authorities or other laws. Cross-border risk also applies to the Bank's overseas affiliates, in activity with foreign-resident clients.

Cross-border risk includes the risk arising from obligations arising from US tax laws applicable to Bank Group operations outside of the USA (the Foreign Account Tax Compliance Law – "FATCA" and Qualified Intermediary – "QI"). This risk is also due to obligations stipulated by the Common Reporting Standard (CRS) issued by the OECD.

The Bank has near-zero appetite for cross-border risk.

Cross-border risk remained unchanged in the first quarter of 2022 at Low-medium. The Bank manages this risk by revising procedures, automating work processes, specifying cross-border risk level for account, delivering training, concentrating activity of foreign residents in specialized branches and specification of work routines in processes required tor reporting under both FATCA and CRS.

The Bank also monitors regulatory updates from relevant countries for the Bank and its affiliates, and implements them if applicable.

Because of the Russian invasion of the Ukraine, sanctions were imposed by OFAC, the EU, UN, UK and other countries on entities / individuals / banks in Russia and on specific regions in the Ukraine. The Bank has implemented these sanctions and has revised work processes to ensure compliance with the sanction regime and to ensure that no transactions are conducted designed to bypass these sanctions.

AML risk

Risk description and development thereof

AML risk is the risk of financial loss (including due to legal proceedings, penalties or sanctions imposed by authorities in Israel and in other countries) and impact to reputation, which the Bank may incur due to breach of various statutory provisions regarding the Bank's obligations with regard to AML.

The Bank has zero risk appetite with regard to AML risk.

AML risk remained unchanged in the third quarter of 2022 and is defined as low-medium. The risk assessment is based, *inter alia*, on continued risk-focused management, as reflected by revision of operating procedures and processes, including IT support and process streamlining, training and deployment activities along with risk-focused controls in the first and second lines of defense, improvement of documents and classifications, and taking effective action to prevent recurrence of unusual events and compliance failures. The new AML system – MEA – in order to identify unusual activity and for reporting to the AML Authority, is operating in branches on regular basis and enables close control over the banking activity.

Terror financing risk

Risk description and development thereof

Terror financing risk is the risk of financial loss (including due to legal proceedings, penalties or sanctions imposed by authorities in Israel and in other countries) and impact to reputation, which the Bank may incur due to breach of various statutory provisions regarding the Bank's obligations with regard to terror financing.

The Bank has zero risk appetite with regard to terror financing risk.

In the first quarter of 2022, terror financing risk was Low. The risk assessment is based, *inter alia*, on risk assessment conducted by the Bank, on continued risk-focused management, as reflected by revision of operating procedures and processes, including IT support and process streamlining, training and deployment activities along with risk-focused controls in the first and second lines of defense, and taking effective action to prevent recurrence of unusual events and compliance failures and strict control over banking activity.

Reputational risk

Risk description and development thereof

The Bank has mapped reputation risk as a material risk, because past events indicate that impact to the reputation of a financial institution may result in significant loss of value. Reputation risk is a stand-alone risk, but may also arise from materialization of other risks at the Bank, such as materialization of an operational risk event, cyber security event or any other event. Furthermore, impact to Bank reputation may bring about the materialization of other risks, in particular liquidity risk – with growing demand by clients to withdraw deposits.
In the first quarter of 2022, reputational risk remained Low. The Bank continues to regularly monitor the impact of the Union Bank merger. To date there was no material impact on the Bank's reputational risk.

For more information about reputation risk, see also the 2021 Risks Report available on the Bank website.

Business-strategic risk

Risk description and development thereof

Business-strategic risk is the risk, in real time or potentially in future, of impact to Bank profits, capital or reputation, due to erroneous business decisions, improper deployment of decisions or insufficient preparation for changes in the business environment. This means the risk that the Bank chose the wrong strategy or that the Bank would not be able to implement the business and strategic plan as planned. The materiality of business-strategic risk requires the Bank to take measures which would allow it to manage this risk and take steps for assessment and early identification of events which may preclude implementation of the strategy.

The Bank operates in conformity with a five-year strategic plan, most recently approved by the Bank’s Board of Directors in April 2021, whose principles have been made public. The strategic plan was reviewed and challenged by Risks Control in aspects of business focus, risk profile and feasibility. Material deviation from Bank strategy is subject to approval by the Bank’s Board of Directors. Risk is regularly monitored by the Financial Information and Reporting Division, and is challenged by the Risks Control Division.

For more information about strategic-business risk, see also the 2021 Risks Report available on the Bank website.

For more information about environmental risk, see chapter "Risks Overview" of the 2021 Report of the Board of Directors and Management.

Policies and critical accounting estimates, controls and procedures

Policies and critical accounting estimates

The Bank's financial statements are prepared in conformity with generally accepted accounting policies in Israel (Israeli GAAP) and in accordance with Public Reporting Directives of the Supervisor of Banks.
For most topics, these directives are based on generally acceptable accounting practices by US banks. For other, less material topics, these directives are based on International Financial Reporting Standards (IFRS) and on generally accepted accounting principles in Israel (Israeli GAAP). When International Financial Reporting Standards (IFRS) allow multiple alternatives, or do not specifically refer to a certain situation, these directives prescribe specific implementation guidelines, mostly based on generally acceptable accounting practices by US banks.
The significant accounting policies are detailed in Note 1 to the 2021 financial statements.
The application of generally accepted accounting principles by management at the time that the financial statements are prepared occasionally involves various assumptions, assessments and estimates that affect the amounts and business results reported in the financial statements. Some of the assumptions, assessments and estimates are critical to the financial position or the results of operations reflected in the Group's financial statements, because of the materiality of the matter, complexity of calculations or the extent of the probability that matters shrouded in uncertainty will be realized.
For more information about accounting policies on critical matters, see chapter "Policies and critical accounting estimates" of the 2021 Report of the Board of Directors and Management.
For more information about changes to critical accounting policies and critical accounting estimates with regard to the provision for credit losses and other directives, see chapter "Changes to critical accounting policies and to critical accounting estimates" above.

Controls and Procedures

In accordance with the Public Reporting Directives of the Supervisor of Banks, based on requirements stipulated in Sections 302 and 404 of the American Sarbanes Oxley Law, the Bank President & CEO and the Chief Accountant of the Bank have each separately signed a Certification attached to the financial statements on "Disclosure Controls and Procedures (hereinafter: "Disclosure Certification").
The Disclosure Certification relates to the controls and procedures that were designed to assure that the information that the Bank requires for disclosure in accordance with the Public Reporting Regulations of the Supervisor of Banks, is accumulated, processed and sent to the Bank's Executive Management in a manner that enables decisions to be reached at an appropriate time, with respect to disclosure requirements. The certification also refers to setting of internal controls over financial reporting intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks.

Evaluation of controls and procedures with regard to disclosure

Bank management, together with the Bank President & CEO and the Chief Accountant of the Bank, evaluated the effectiveness of the Bank's disclosure controls and procedures as of March 31, 2022. Based on this evaluation, the Bank President & CEO and the Chief Accountant of the Bank concluded that at the end of the period ended March 31, 2022, the disclosure controls and procedures are effective for recording, processing, summarizing and reporting the information that the Bank is required to disclose in the quarterly report, in accordance with the Public Reporting Regulations of the Supervisor of Banks, on the date stipulated in these Regulations.

Changes to internal controls

In the first quarter of 2022, no change occurred in the Bank's internal controls over financial reporting that had a material effect, or can reasonably be expected to have a material effect on the Bank's internal controls over financial reporting.

Moshe Vidman	Moshe Lari
Chairman of the Board of Directors	President & CEO

Approval date:
Ramat Gan
May 24, 2022

Certification

I, MOSHE LARI, certify that:

1. I have reviewed the quarterly report of Bank Mizrahi Tefahot Ltd. (hereinafter: "the Bank") for the quarter ended March 31, 2022 (hereinafter: “the Report”).
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact nor omit to state any material fact necessary so that the statements included therein, in light of the circumstances under which such statements were made, would not be misleading with respect to the period covered by the Report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the Report fairly present, in all material respects, the financial condition, results of operations, and changes in shareholders' equity and cash flows of the Bank as of the dates and for the periods presented in this Report.
4. I and others at the Bank who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure(1) and to the Bank's internal controls over financial reporting(1) as well as:
   A. We have determined such controls and procedures, or caused these controls and procedures to be determined under our supervision, for the purpose of ensuring that material information relating to the Bank, including its subsidiaries, is made known to us by others in the Bank and in those entities, particularly during the period in which the Report is being prepared;

   B. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks;

   C. We have evaluated the effectiveness of the Bank’s disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and

   D. We have disclosed in this Report any change in the Bank’s internal controls over financial reporting that occurred during this quarter, that has materially affected, or is reasonably likely to materially affect, the Bank’s internal controls over financial reporting; and
5. I and others in the Bank who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Bank’s independent auditors, the Board of Directors and the Audit and Balance Sheet Committees of the Board of Directors of the Bank:
   A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting which are reasonably likely to impair the Bank’s ability to record, process, summarize and report financial information; and

   B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank’s internal controls over financial reporting.

The aforesaid does not derogate from my responsibility or the responsibility of any other person according to the law.

Lari Moshe

Moshe Lari
President & CEO
May 24, 2022

(1) As defined in Public Reporting Directives with regard to "Report of the Board of Directors and Management".

Certification

I, MENAHEM AVIV, certify that:

1. I have reviewed the quarterly report of Bank Mizrahi Tefahot Ltd. (hereinafter: "the Bank") for the quarter ended March 31, 2022 (hereinafter: “the Report”).
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact nor omit to state any material fact necessary so that the statements included therein, in light of the circumstances under which such statements were made, would not be misleading with respect to the period covered by the Report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the Report fairly present, in all material respects, the financial condition, results of operations, and changes in shareholders’ equity and cash flows of the Bank as of the dates and for the periods presented in this Report.
4. I and others at the Bank who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure(1) and to the Bank's internal controls over financial reporting(1) as well as:
   A. We have determined such controls and procedures, or caused these controls and procedures to be determined under our supervision, for the purpose of ensuring that material information relating to the Bank, including its subsidiaries, is made known to us by others in the Bank and in those entities, particularly during the period in which the Report is being prepared;
   B. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks;
   C. We have evaluated the effectiveness of the Bank’s disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and
   D. We have disclosed in this Report any change in the Bank’s internal controls over financial reporting that occurred during this quarter, that has materially affected, or is reasonably likely to materially affect, the Bank’s internal controls over financial reporting; and
5. I and others in the Bank who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Bank’s independent auditors, the Board of Directors and the Audit and Balance Sheet Committees of the Board of Directors of the Bank:
   A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting which are reasonably likely to impair the Bank’s ability to record, process, summarize and report financial information; and
   B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank’s internal controls over financial reporting.

The aforesaid does not derogate from my responsibility or the responsibility of any other person according to the law.

Menahem Aviv

Vice-president
Chief Accountant

May 24, 2022

(1) As defined in Public Reporting Directives with regard to "Report of the Board of Directors and Management".

Deloitte.

Independent Auditors' review report to shareholders of Bank Mizrahi-Tefahot Ltd

Introduction

We have reviewed the enclosed financial information of Bank Mizrahi Tefahot Ltd. and subsidiaries thereof ("the Bank"), consisting of the condensed consolidated balance sheet as of March 31, 2022, the condensed consolidated statements of profit and loss, comprehensive income, changes to shareholder equity and cash flows for the three-month period then ended. The Board of Directors and management are responsible for preparation and presentation of financial information for these interim periods, in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim financial reporting and in accordance with directives and guidance of the Supervisor of Banks. We are responsible for expressing our conclusion with regard to financial information for this interim period, based on our review.

We did not review the condensed interim financial information of certain consolidated subsidiaries, whose assets included in consolidation constitute 4.35% of total consolidated assets as of March 31, 2022, and whose net interest revenues before expenses with respect to credit losses included in the consolidated statements of profit and loss constitute 5.2% of total consolidated net interest revenues before expenses with respect to credit losses for the three-month period then ended. The condensed financial information for the interim period of these companies was reviewed by other auditors, whose review reports were furnished to us, and our opinion, insofar as it relates to amounts included with respect to these companies, is based on the review reports of the other auditors.

Review scope

We have conducted our review in accordance with Review Standard (Israel) no. 2410 of the Institute of Certified Public Accountants in Israel "Review of Financial Information for Interim Periods Conducted by the Entity's Independent Auditor" and with the review standard whose application to review of banking corporations is stipulated in accordance with directives and guidance of the Supervisor of Banks. A review of financial information for interim periods consists of discussions, mostly with persons responsible for financial and accounting issues, and of application of analytical and other review procedures. A review is significantly limited in scope as compared to an audit conducted in accordance with generally accepted audit standards in Israel, and therefore it does not enable us to achieve assurance that we have knowledge of all material matters which might have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, and on the review reports of other auditors, nothing has come to our attention that would cause us to believe that the aforementioned financial information has not been prepared, in all material aspects, in accordance with Israeli GAAP for interim financial reporting and in accordance with directives and guidance of the Supervisor of Banks.

Without qualifying our aforementioned conclusion, we draw your attention to Note 10.B.3. with regard to lawsuits filed against the Bank and its subsidiaries, including requests to recognize them as class actions.

Brightman Almagor
Zohar & Co.

Brightman Almagor Zohar & Co.

Certified Public Accountants

A Firm in the Deloitte Global Network

Tel Aviv, May 24, 2022

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Bank Mizrahi Tefahot

Condensed financial statements as of March 31, 2022

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Condensed consolidated statements of profit and loss

Reported amounts (NIS in millions)

	Note	For the three months ended March 31		For the year ended December 31
		2022	2021	2021
		(Unaudited)		(Audited)
Interest revenues	2	3,144	2,208	10,557
Interest expenses	2	1,000	517	2,872
Interest revenues, net		2,144	1,691	7,685
Expenses with respect to credit losses	6.13	79	13	(278)
Interest revenues, net after expenses with respect to credit losses		**2,065**	**1,678**	**7,963**
Non-interest revenues				
Non-interest financing revenues	3	117	189	401
Commissions		520	477	1,947
Other revenues		432	66	287
Total non-interest revenues		**1,069**	**732**	**2,635**
Operating and other expenses				
Payroll and associated expenses		909	870	3,536
Maintenance and depreciation of buildings and equipment		237	240	1,002
Other expenses		242	231	1,030
Total operating and other expenses		**1,388**	**1,341**	**5,568**
Pre-tax profit		1,746	1,069	5,030
Provision for taxes on profit		569	358	1,730
After-tax profit		**1,177**	**711**	**3,300**
Share in profit (loss) of associated companies, after tax		1	(12)	(10)
Net profit:				
Before attribution to non-controlling interests		1,178	699	3,290
Attributable to non-controlling interests		(24)	(23)	(102)
Attributable to shareholders of the Bank		**1,154**	**676**	**3,188**

The accompanying notes are an integral part of the financial statements.

Moshe Vidman	**Moshe Lari**	**Menahem Aviv**
Chairman of the Board of Directors	President & CEO	Vice-president, Chief Accountant

Approval date:
Ramat Gan, May 24, 2022

Condensed consolidated statements of profit and loss – Continued

Reported amounts (NIS in millions)

	For the three months ended March 31		For the year ended December 31
	2022	**2021**	**2021**
		(Unaudited)	**(Audited)**
Earnings per share[1] (in NIS)			
Basic earnings			
Net profit attributable to shareholders of the Bank	4.50	2.65	12.47
Weighted average number of ordinary shares used to calculate basic earnings (thousands of shares)	256,515	255,077	255,679
Diluted earnings			
Net profit attributable to shareholders of the Bank	4.43	2.64	12.35
Weighted average number of ordinary shares used to calculate diluted earnings (thousands of shares)	260,524	255,738	258,056

(1) Share of NIS 0.1 par value.

Condensed consolidated statements of comprehensive income

Reported amounts (NIS in millions)

	Note	For the three months ended March 31		For the year ended December 31
		2022	**2021**	**2021**
			(Unaudited)	**(Audited)**
Net profit:				
Before attribution to non-controlling interests		1,178	699	3,290
Attributable to non-controlling interests		(24)	(23)	(102)
Net profit attributable to shareholders of the Bank		**1,154**	**676**	**3,188**
Other comprehensive income (loss) before taxes	4			
Adjustments for presentation of available-for-sale securities at fair value, net		(344)	(65)	25
Adjustments from translation of financial statements of investments in associated companies(1)		-	(1)	(1)
Net gains (losses) with respect to cash flows hedging		(11)	(30)	(33)
Adjustments of liabilities with respect to employees' benefits(2)		214	11	(18)
Total other comprehensive income (loss), before tax		**(141)**	**(85)**	**(27)**
Related tax effect		48	28	7
Other comprehensive income (loss) after taxes(3)				
Other comprehensive income (loss), before attribution to non-controlling interests		(93)	(57)	(20)
Less other comprehensive income (loss) attributed to non-controlling interests		5	1	7
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes		**(98)**	**(58)**	**(27)**
Comprehensive income:				
Before attribution to non-controlling interests		1,085	642	3,270
Attributable to non-controlling interests		(29)	(24)	(109)
Comprehensive income attributable to shareholders of the Bank		**1,056**	**618**	**3,161**

(1) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.

(2) Includes adjustments with respect to actuarial estimates included in the reported period for defined-benefit pension plans and current amortization of adjustments with respect to liabilities to profit and loss.

(3) For more information see Note 4 to the financial statements – cumulative other comprehensive income (loss).

The accompanying notes are an integral part of the financial statements.

Condensed consolidated balance sheets

Reported amounts (NIS in millions)

		As of March 31		As of December 31
		2022	2021	2021
	Note		(Unaudited)	(Audited)
Assets				
Cash and deposits with banks		84,666	91,392	95,267
Securities(1)(2)	5	16,967	19,529	15,033
Securities loaned or purchased in resale agreements		542	139	1,332
Loans to the public	6.13	285,457	251,957	273,531
Provision for credit losses	6.13	(2,540)	(2,418)	(2,103)
Loans to the public, net	6.13	282,917	249,539	271,428
Loans to Governments		457	582	477
Investments in associated companies		109	18	69
Buildings and equipment		1,400	1,702	1,734
Intangible assets and goodwill		201	231	208
Assets with respect to derivatives	11	3,353	3,643	3,652
Other assets		3,433	3,635	3,071
Total assets		**394,045**	**370,410**	**392,271**
Liabilities and Equity				
Deposits from the public	7	312,653	293,766	307,924
Deposits from banks		6,850	4,293	6,992
Deposits from the Government		66	44	81
Bonds and subordinated notes		36,045	33,335	38,046
Liabilities with respect to derivatives	11	2,940	3,172	3,753
Other liabilities (3)		13,307	15,489	13,746
Total liabilities		**371,861**	**350,099**	**370,542**
Shareholders' equity attributable to shareholders of the Bank		21,199	19,422	20,770
Non-controlling interests		985	889	959
Total equity		**22,184**	**20,311**	**21,729**
Total liabilities and equity		**394,045**	**370,410**	**392,271**

(1) Of which: NIS 13,952 million at fair value on consolidated basis (on March 31, 2021: NIS 15,769 million; on December 31, 2021: NIS 11,685 million).
(2) For more information with regard to securities pledged or provided as collateral to lenders, see Note 5 to the financial statements.
(3) Of which: Provision for credit losses with respect to off balance sheet credit instruments amounting to NIS 213 million (on March 31, 2021: NIS 229 million, on December 31, 2021: NIS 211 million).

The accompanying notes are an integral part of the financial statements.

Condensed Statement of Changes in Shareholders' Equity

Reported amounts (NIS in millions)

	Share capital and premium(1)	Capital reserve from benefit from share-based payment transactions	Total paid-up share capital and capital reserves	Cumulative other compre-hensive income (loss)(2)	Retained earnings(3)	Total share-holders' equity	Non-controlling interests	Total equity
	For the three months ended March 31, 2022 (Unaudited)							
Balance as of December 31, 2021	3,497	76	3,573	(303)	17,500	20,770	959	21,729
Opening balance adjustment for effect of initial application of US GAAP with regard to credit losses(4)	-	-	-	-	(355)	(355)	(3)	(358)
Adjusted balance as of January 1, 2022 after initial application	3,497	76	3,573	(303)	17,145	20,415	956	21,371
Net profit for the period	-	-	-	-	1,154	1,154	24	1,178
Dividends paid(5)	-	-	-	-	(272)	(272)	-	(272)
Realization of share-based payment transactions(6)	-	-	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	(98)	-	(98)	5	(93)
Balance as of March 31, 2022	**3,497**	**76**	**3,573**	**(401)**	**18,027**	**21,199**	**985**	**22,184**
	For the three months ended March 31, 2021 (Unaudited)							
Balance as of December 31, 2020	3,445	87	3,532	(276)	15,548	18,804	865	19,669
Net profit for the period	-	-	-	-	676	676	23	699
Dividends paid(5)	-	-	-	-	-	-	-	-
Realization of share-based payment transactions(6)	2	(2)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	(58)	-	(58)	1	(57)
Balance as of March 31, 2021	**3,447**	**85**	**3,532**	**(334)**	**16,224**	**19,422**	**889**	**20,311**
	For the year ended December 31, 2021 (audited)							
Balance as of December 31, 2020	3,445	87	3,532	(276)	15,548	18,804	865	19,669
Net profit for the period	-	-	-	-	3,188	3,188	102	3,290
Dividends paid(5)	-	-	-	-	(1,236)	(1,236)	-	(1,236)
Benefit from share-based payment transactions	-	41	41	-	-	41	-	41
Realization of share-based payment transactions(6)	52	(52)	-	-	-	-	-	-
Dividends attributable to non-controlling interests in subsidiary	-	-	-	-	-	-	(15)	(15)
Other comprehensive income (loss), net, after tax	-	-	-	(27)	-	(27)	7	(20)
Balance as of December 31, 2021	**3,497**	**76**	**3,573**	**(303)**	**17,500**	**20,770**	**959**	**21,729**

(1) Share premium generated prior to March 31, 1986.

(2) For more information see Note 4 – Cumulative other comprehensive income.

(3) For information about various restrictions on dividend distribution, see Note 24 to the 2021 financial statements.

(4) Cumulative effect of initial application of US GAAP with regard to financial instruments – credit losses (ASU 2016-13) and updates thereto. See also Note 1.C.1.

(5) On February 28, 2022, a dividend distribution amounting to NIS 272 million was made in conformity with resolution by the Bank's Board of Directors.

(6) In the first quarter of 2022, 5,369 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.
In the first quarter of 2021, 85,952 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.
In 2021, 1,432,671 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.

The accompanying notes are an integral part of the financial statements.

Condensed statements of cash flows

Reported amounts (NIS in millions)

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
		(Unaudited)	(Audited)
Cash flows provided by current operations			
Net profit	1,178	699	3,290
Adjustments			
Share of the Bank in undistributed earnings of associated companies	(1)	12	10
Depreciation of buildings and equipment (including impairment)	72	90	339
Expenses with respect to credit losses	79	13	(278)
Gain from sale of securities available for sale and shares not held for trading	(16)	(30)	(111)
Realized and unrealized loss (gain) from adjustment to fair value of securities held for trading	(13)	8	26
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	(7)	(56)	(97)
Gain from sale of buildings and equipment	(240)	-	(18)
Impairment of shares not held for trading	2	4	9
Expenses arising from share-based payment transactions	-	-	41
Deferred taxes, net	(342)	(12)	78
Change in employees' provisions and liabilities	(157)	(1)	1,111
Adjustments with respect to exchange rate differentials	(148)	(129)	52
Accrual differences included with investment and financing operations	223	78	324
Net change in current assets			
Assets with respect to derivatives	288	870	858
Securities held for trading	(287)	(51)	815
Other assets, net	24	(220)	259
Net change in current liabilities			
Liabilities with respect to derivatives	(813)	(2,334)	(1,753)
Other liabilities	(62)	2,072	(824)
Net cash provided by current operations	**(220)**	**1,013**	**4,131**

The accompanying notes are an integral part of the financial statements.

Condensed statements of cash flows – Continued

Reported amounts (NIS in millions)

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	(Unaudited)		(Audited)
Cash flows provided by investment activities			
Net change in deposits with banks	(512)	(2,939)	499
Net change in loans to the public	(11,342)	(3,634)	(24,087)
Net change in loans to Governments	20	31	136
Net change in securities loaned or acquired in resale agreements	790	61	(1,132)
Acquisition of bonds held to maturity	(132)	(223)	(447)
Proceeds from redemption of securities held to maturity	93	432	1,247
Purchase of securities available for sale and shares not held for trading	(2,869)	(6,904)	(12,078)
Proceeds from sale of securities available for sale and shares not held for trading	540	4,123	8,316
Proceeds from redemption of securities available for sale	90	207	4,320
Proceeds from sale of loan portfolios	-	-	234
Purchase of loan portfolios – public	(582)	(396)	(1,778)
Acquisition of buildings and equipment	(41)	(48)	(336)
Proceeds from sale of buildings and equipment	544	-	35
Purchase of shares in associated companies	(40)	-	(49)
Proceeds from realized investment in associated companies	1	1	1
Net cash provided by investment activities	**(13,440)**	**(9,289)**	**(25,119)**
Cash flows provided by financing operations			
Net change in deposits from the public	4,729	9,542	23,700
Net change in deposits from banks	(142)	514	3,213
Net change in deposits from Government	(15)	(26)	11
Issuance of bonds and subordinated notes	-	-	7,304
Redemption of bonds and subordinated notes	(1,901)	-	(2,741)
Dividends paid to shareholders	(272)	-	(1,236)
Dividends paid to external shareholders in subsidiaries	-	-	(15)
Net cash provided by financing operations	**2,399**	**10,030**	**30,236**
Increase (decrease) in cash	(11,261)	1,754	9,248
Cash balance at beginning of the period	94,661	85,465	85,465
Effect of changes in exchange rate on cash balances	148	129	(52)
Cash balance at end of the period	**83,548**	**87,348**	**94,661**
Interest and taxes paid / received			
Interest received	2,779	2,620	10,938
Interest paid	1,079	458	2,393
Dividends received	3	4	20
Income taxes received	24	8	-
Income taxes paid	367	297	1,471
Appendix A – Non-cash Transactions			
Acquisition of buildings and equipment	1	1	13
Sales of buildings and equipment	-	-	2

Note 1 – Reporting Principles and Accounting Policies

A. Overview

On May 24, 2022, the Bank's Board of Directors authorized publication of these condensed financial statements as of March 31, 2022.

The condensed financial statements are prepared in accordance with generally accepted accounting policies in Israel (Israeli GAAP) for financial reporting of interim periods and in accordance with directives and guidance from the Supervisor of Banks, and does not include all of the information required in annual financial statements. These condensed financial statements should be read in conjunction with the audited financial statements as of December 31, 2021.

As noted in the annual report, for most topics, the Supervisor of Banks' directives are based on generally acceptable accounting practices of US banks. For other, less material topics, these directives are based on International Financial Reporting Standards (IFRS) and on generally accepted accounting principles in Israel (Israeli GAAP).

When International Financial Reporting Standards (IFRS) allow multiple alternatives, or do not specifically refer to a certain situation, these directives prescribe specific implementation guidelines, mostly based on generally acceptable accounting practices by banks in the United States.
In accordance with directives of the Supervisor of Banks, the condensed financial statements are issued on a consolidated basis only.
The Group accounting policies in these condensed consolidated quarterly financial statements are consistent with the policies applied in the annual financial statements, except as noted below.

B. Re-classification

Due to initial application of generally acceptable accounting practices by US banks – provisions for credit losses and other directives, as set forth in section C.1. below, data in some Notes to the financial statements were re-classified to align with the new definitions, headers and presentation in the current reporting period.

C. Initial application of accounting standards, accounting standard updates and directives of the Supervisor of Banks

As from reporting periods starting on January 1, 2022, the Bank applies the following new accounting standards and directives:

1. Adoption of updates to generally acceptable accounting practices by US banks – Financial instruments – Credit losses (ASU 2016 13) and other directives included in the Q&A file issued by the Supervisor of Banks on this matter, circular no. 2634-06 regarding implementation of generally acceptable accounting practices by US banks with regard to expected credit losses – revised public reporting regulations, circular no. 2635-06 regarding supervisory capital – effect of implementation of accounting practices with regard to expected credit losses, circular no. 2650-06 regarding expected credit losses from financial instruments – revised Proper Banking Conduct Directives, circular no. 2651-06 regarding implementation of accounting practices with regard to expected credit losses from residential mortgages – revised public reporting regulations.
2. Discontinued use of LIBOR and transition to using alternative reference interest rates.
3. Update to Public Reporting Directive with regard to presentation of return on equity and quarterly revenue and expense rates on annualized basis.

Below is a description of the essence of changes applied to accounting policies in these condensed consolidated interim financial statements, and description of the initial implementation and any impact thereof:

1. Adoption of updates to US GAAP with regard to provision for credit losses and other directives (CECL)

On March 28, 2018, the Supervisor of Banks issued a letter with regard to "Adoption of updates to US GAAP with regard to provision for credit losses and other directives". The letter requires implementation of generally acceptable accounting practices by US banks on these matters: provisions for credit losses, financial instruments, including derivative instruments and hedging operations, as well as leases. Initial implementation is to be applied in conformity with transition provisions stipulated in US GAAP.

Note 1 – Reporting Principles and Accounting Policies – continued

The letter adopts US GAAP with regard to expected credit losses, published in standards update ASU 2016-13. The new rules are designed to improve the quality of reporting of the banking corporation's financial standing, through earlier recognition and provisions for credit losses, in such way as to bolster the anti-cyclical element of behavior and provision for credit losses, supporting a faster response by banks to deterioration in borrower creditworthiness, and to reinforce the connection between credit risk management and how such risk is reflected on the financial statements, based on existing methods and processes.

Highlights of the changes in accounting treatment on financial statements of banking corporations, following implementation of these rules, include the following: Calculation of the provision for credit losses based on expected loss over the term of the credit, in lieu of estimating the loss incurred and yet to be identified; in estimating the provision for credit losses, significant use shall be made of forward-looking information to reflect reasonable, supported forecasts with regard to future economic events; expansion of disclosure of the impact of the lending date on the credit quality of the credit portfolio; change in recognition of impairment of bonds in the available-for-sale portfolio. The new rules for calculation of the provision for credit losses apply to loans (including residential mortgages), to bonds held to maturity and to certain off-balance sheet credit exposures.

On December 1, 2020, the Supervisor of Banks issued a circular regarding "Supervisory capital – Effect of implementation of accounting principles with respect to expected credit losses". This circular stipulates transitional provisions to be applicable to the effect of initial adoption of the new rules regarding expected credit losses, so as to reduce unexpected effects of application of these rules on supervisory capital, in conformity with guidance from the Basel Committee on Bank Supervision and supervisory authorities for banks in the USA and in other countries.

On January 31, 2021, the Supervisor of Banks issued a Q&A file regarding implementation of the new rules on expected credit losses. These Q&A include, *inter alia*, clarifications with regard to classification and return of debt under restructuring to the accrual track.

Moreover, on February 2, 2021, the Supervisor of Banks issued a circular regarding "Expected credit losses from financial instruments" which, inter alia, rescinded the requirement to calculate a group-based provision at a minimum of 0.35% with respect to residential mortgages, and rescinded the requirement to calculate the minimum provision by extent of arrears. Moreover, an amendment was made to Proper Conduct of Banking Business Directive 202 regarding "Supervisory capital", whereby banking corporations are required to deduct from Tier I capital amounts with respect to residential mortgages classified over time as non-accruing loans, similar to the calculation stipulated in Appendix H to Proper Conduct of Banking Business Directive 202.

Due to implementation of the standard, the Bank adapted certain processes to the new rules regarding classification and review of problematic credit, classification of credit as not accruing interest revenues, rules for write-off and methodology for measurement of the provision. Moreover, disclosure requirements were adapted to requirements of US accounting standards, as adopted by the Supervisor of Banks in the public reporting directives, as described below.

The Bank applies the new directives with regard to provisions for credit losses as from January 1, 2022 and charged the cumulative effect to retained earnings upon initial application. The Bank also adopted upon the initial implementation date, certain relief, as allowed by the transition provisions, including recognizing the effect of initial application with regard to the effect on Tier I equity ratio over a 3-year period, in conformity with the specified transition provisions.

Update to accounting policy due to initial application of new accounting practices with regard to expected credit losses

Identification and classification of non-accruing debt (in lieu of impaired debt)

The Bank has specified procedures for identification of problematic credit and for classification of debt so as to distinguish between problematic debt, including non-accruing debt, and debt in good standing. According to these procedures, the Bank classifies all its problematic debt and off-balance sheet credit items under these classifications: special supervision, inferior or non-accruing. Debt classified as non-accruing debt, where based on current information and events it is expected that the Bank would not be able to collect all amounts due in conformity with contractual terms and conditions of the debt agreement.

Note 1 – Reporting Principles and Accounting Policies – continued

For classification and treatment of problematic credit, the Bank distinguishes between the following:

A. Commercial credit with respect to debt with contractual balance over NIS 1 million

Decisions with regard to debt classification and the required provision are made based, inter alia, on the past-due status of the debt, assessment of the borrower's financial standing and repayment capacity, assessment of the primary debt repayment source, existence of collateral and its status, the financial standing of guarantors, if any and their commitment to support the debt and the borrower's capacity to obtain financing from third parties.

In any case, such commercial debt is classified as non-accruing debt when its principal or interest is in arrears for 90 days or longer, unless the debt is well secured and is in collection proceedings, or if the debt has undergone restructuring of problematic debt.

As from the classification date as non-accruing debt, debt is treated as debt not accruing interest income (such debt is known as "non-accruing debt").

For more information about accounting write-off rules with respect to such debts, see section "Accounting write-off" later in this section.

B. Credit to individuals, residential mortgages and commercial credit with respect to debt with contractual balance below NIS 1 million

Decision on debt classification is based on the state of arrears of such debt. To this end, the Bank monitors the arrears days determined with reference to contractual repayment terms thereof.

Such debt, in arrears 90 days or longer, is classified as inferior debt when the Bank does not discontinue accrual of interest income, except for residential mortgages which are classified as debt not accruing interest income when principal or interest with respect there to is in arrears 90 days or longer.

For more information about accounting write-off rules with respect to such debts, see section "Accounting write-off" later in this section.

Policy on debt re-structuring and treatment of problematic debt under re-structuring

In order to determine whether a debt re-structuring conducted by the Bank constitutes re-structuring of problematic debt, the Bank conducts a qualitative review of all terms and conditions of the re-structuring and the circumstances thereof, in order to determine whether:

(1) the creditor is in financial duress; and (2) the Bank made a concession to the debtor in conjunction with the arrangement.

In order to determine whether the creditor is in financial duress, the Bank considers if there are any indications that the creditor is in duress upon the re-structuring date, or existence of a reasonable likelihood that the creditor would be in financial duress if not for the re-structuring.

Note 1 – Reporting Principles and Accounting Policies – continued

The Bank also concludes that a concession was made to the debtor in conjunction with the arrangement, even if the contractual interest rate was increased in the arrangement – if one or more of the following exists:

- Due to re-structuring, the Bank is not expected to collect the entire debt amount (including interest accrued in conformity with contractual terms and conditions);
- The current fair value of collateral, for debts contingent on collateral, does not cover the contractual debt balance and indicates that the entire debt amount may not be collectable;

The Bank does not classify debt as restructured problematic debt, if the re-structurung results in insignificant delay in repayment considering the payment frequency, the contractual term to maturity and the original term to maturity of the debt. For this matter, if multiple arrangements took place involving changes to debt terms, the Bank accounts for the accumulated effect of previous structurings in order to determine whether the deferral of payments is insignificant.

In general, re-structuring which results in delayed payments by 90 days or longer compared to the contract is considered a re-structuring that results in significant delay in repayment.

Re-instatemen of non-accruing debt to accruing debt status

Typically, non-accruing debt is re-instated to accruing debt status in either of these two cases:

A. It includes no principal or interest components which are past due, and the Bank anticipates payment of the outstanding principal and interest in full according to contractual terms (includes amounts subject to accounting write-off or provision).

B. When the debt has become well-secured and is in collection proceedings.

Moreover, for debt which has undergone formal re-structuring of problematic debt, which was classified as non-accruing debt upon the date of change in terms and conditions, the Bank may reinstate the debt in accruing status, provided that a current, documented credit analysis has been prepared which supports re-instatement of accruing status based on the debtor's financial standing and the repayment likelihood base on the current terms and conditions. Such assessment is based on the debtor's continuous historical repayment performance for payments in cash and cash equivalents over as reasonable period of six months or longer.

Furthermore, ith regard to debt which has undergond formal re-structuring of problematic debt, which was classified as accruing debt prior to such re-structuring, the Bank may continue to accrue interest, proided that after such re-structuring the colletion of principal and interest in conformity with the revised terms and conditions is reasonably assured, based on a current, well-based credit analysis, provided that the debtor has a history of continuous repayment performance for a reasonable period priror to such changes and that re-structuring has improved the likelihood of the loan being collected in conformity with a reasonable repayment schedule.

As from January 1, 2022, these provisions with regard to treatment of problematic debt under re-structuring apply to residential mortgages.

According to directives included in the Q&A for application of new rules with regard to expected credit losses, the Bank has elected to apply the new rules with regard to identification of re-structuring of problematic debts, and to measure the provision for credit losses using the method required pursuant to these rules for debts under re-structuring of problematic debt, with respect to changes made to residential mortgages prior to January 1, 2022.

Provision for credit losses – measurement

As noted above, as from January 1, 2022, the Bank applies generally acceptable accounting practices by US banks with regard to measurement of credit losses from financial instruments, as set forth in topic 326 of the codification (ASC 326) "Financial instruments – credit losses".

As part of the application of this standard, the Bank has put in place procedures for classification of credit and for measurement of provision for credit losses, in order to maintain an appropriate provision to cover expected credit losses with regard to the Bank's loan portfolio. Further, the Bank has put in place procedures to be followed for an appropriate provision to cover expected credit losses with regard to bonds held to maturity and the portfolio of bonds available for sale and certain off-balance sheet credit exposures.

Note 1 – Reporting Principles and Accounting Policies – continued

The estimated provision for expected credit losses is calculated over the contractual term of the financial asset, taking into account estimated early repayment.

In developing the estimated expected credit losses, the Bank accounted for the effects of past events, current terms and conditions and reasonable forecasts which can be founded about collectability of the financial assets.

In general, calculation of the provision for expected credit losses is estimated on group basis when assets have similar risk attributes. These attributes include the following: (1) Credit score or rating, either internal or external; (2) risk rating or risk classification; (3) type of financial asset; (4) type of collateral; (5) size; (6) borrower's operating sector.

For each group of financial assets with similar risk attributes, the Bank calculates the provision for expected credit losses using one of the methods for measurement of such provision as allowed by the standard, which the Bank expects should result in the best estimate of provisions for credit losses.

In order to estimate expected credit losses over the contractual terms of the assets, the Bank relies on historical information, reviewing the need to adjust such historical information to reflect the extent to which current conditions and reasonable forecasts which can be founded differ from those in the period when the historical information was assessed.

When the reasonable period that may be founded, as determined by the Bank, is shorter than the duration of the financial asset, the Bank resumes use of historical information not adjusted for current economic conditions nor for expectations of future economic conditions, such as: change in unemployment rate, asset values, commodity values, arrears and so forth. The return to information about historical losses may be in one of the following methods: (1) Immediate return; (2) return on straight line basis; (3) use of another logical and methodical basis.

Provision for credit losses – consumer loans (non-residential mortgages)

For the consumer loan portfolio, which includes loans to individuals, other than residential mortgages, the Bank measures the provision for expected credit losses using a model which calculates the probability of default (PD) and the loss given default (LGD) ("the PD/LGD Method"), by dividing the loan portfolio into segments with similar risk attributes, such as internal client rating, type of financial asset, type of collateral and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the consumer loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Provision for credit losses – residential mortgages

For the residential mortgage portfolio, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal client rating, type of financial asset, term to maturity, loan age and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the residential mortgage portfolio and because the Bank does not generate forecasts for periods longer than one year, return to historical default rates is gradual over half of the average duration in the residential mortgage portfolio – 4 years.

Provision for credit losses – retail business loans

For the retail business loan portfolio, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal client rating, type of financial asset, borrower's operating sector, type of collateral and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the retail business loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Note 1 – Reporting Principles and Accounting Policies – continued

Provision for credit losses – business loans

For the business loan portfolio, the Bank measures the provision for expected credit losses by dividing the loan portfolio into segments with similar risk attributes, such as internal client rating, type of financial asset, borrower's operating sector, type of collateral and so forth. The provision is determined by a method which calculates the average historical loss rates for each segment (WARM method).

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the business loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Provision for credit losses – large-scale loans with unique risk attributes

For loans extended for project financing and loans extended for financing of means of control (where loans are in excess of 0.5% of Bank equity), the Bank measures the provision for expected credit losses based on the PD/LGD method, with the calculation based on rating information from global rating agencies (Moody's / S&P).

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. Similar to the business credit segment, return to historical default rates is immediate after one year.

Provision for credit losses – loans to governments and banks

For loans to governments and banks, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal and external rating, type of financial asset and so forth.

The Bank has also set criteria and factors to be taken into account in order to determine that for some exposures to governments, the expected credit losses are near zero.

Provision for credit losses – off-balance sheet exposures

Off-balance sheet exposures include credit exposures with respect to commitment to extend credit, letters of credit, financial guarantees not treated as insurance and other similar instruments.

The provision for credit losses with respect to off-balance sheet exposures is assessed in conformity with rules set forth in Topic 326 of the codification, based on the provision rates determined for on-balance sheet credit (as described above), taking into account the expected credit realization rate upon default of the off-balance sheet exposure risk, in conformity with Basel coefficients.

The Bank does not calculate an estimated provision for expected credit losses with respect to off-balance sheet commitment to extend credit which may be un-conditionally terminated by the Bank.

Provision for credit losses – securities in portfolio held to maturity

For securities in the portfolio held to maturity, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as issuer type, duration, interest rate, payment frequency and so forth.

The Bank does not measure expected credit losses with respect to certain government bonds, because the information about historical credit losses, adjusted for current conditions and for reasonable forecasts that may be founded, results in expectation that non-payment of the amortized cost basis is zero.

Note 1 – Reporting Principles and Accounting Policies – continued

Provision for credit losses – bonds available for sale

The Bank estimates the expected credit losses with respect to bonds available for sale upon each reporting date, when the fair value is lower than the amortized cost.

Whenever the fair value is lower than the amortized cost, the Bank reviews whether the impairment of fair value is due to credit losses or to other factors. Impairment resulting from credit losses is recognized by way of a provision for credit losses, and impairment not recognized by way of a provision for credit losses is recognized under Other Comprehensive Income, net of tax.

In conformity with provisions of Topic 326 of the codification, the Bank calculates the provision for expected credit losses for securities available for sale individually, using the discounted cash flow method, used by the Bank to compare the present value of expected future cash flows, determined based on past events, current conditions and reasonable forecasts that can be founded (such as: sector, geographic, economic and political factors relevant for collectability of the debenture), to the amortized cost basis of the securities. Such provision is recognized against an expense with respect to credit loss, to reflect the credit loss component of impairment of the fair value to below the amortized cost. The provision for credit losses with respect to bonds available for sale is capped and may not exceed the difference between the amortized cost and the (lower) fair value, known as "fair value floor".

If the fair value of the securities increases over time, any provision for credit losses which has not been written off is reversed by reducing the expense with respect to credit losses.

Provision for credit losses – net lease investments

For the balance of net lease investments recognized by a lessor in conformity with Topic 842 of the codification regarding leases. The impact of application of this standard is insignificant.

Provision for credit losses – loans evaluated on individual basis

For commercial loans with contractual balance over NIS 1 million, classified as non-accruing, for which specific issues have been identified unlike attributes of other debts, the Bank applies the discounted cash flow method, calculated for each and every debt to determine the provision for credit losses on individual basis.

Reviews of overall appropriateness of the provision

Further, the Bank reviews the overall appropriateness of the provision for credit losses. Such assessment of appropriateness is based on Management discretion, taking into account the inherent risk in the loan portfolio and weaknesses and restrictions of assessment methods applied by the Bank to determine the provision.

Accounting write-off

The Bank makes accounting write-offs of any debt, or part thereof, considered to be uncollectible and of low value, so that maintaining it as an asset is not justified, or any debt which is subject to long-term collection efforts by the Bank (typically defined as terms in excess of two years).

For debt secured by collateral, the Bank immediately conducts an accounting write-off against the balance of provision for credit losses, for the portion of recorded debt balance in excess of fair value of the collateral.

For commercial loans with respect to debt with contractual balance (without deduction of any write-offs not subject to legal waiver, un-recognized interest, provisions for credit losses and collateral) lower than NIS 1 million, and loans to individuals, other than residential mortgages, the Bank conducts an accounting write-off when such debt is in arrears 150 days or longer. Note, in this regard, that for debt secured by collateral other than a residential apartment, and seizure of the collateral has started and is certain, the Bank only conducts an accounting write-off of the excess recorded debt balance over the collateral value (net of selling costs).

residential mortgagesFor residential mortgages secured by a residential property, the Bank conducts a current assessment of collateral value, no later than the date when the debt is in arrears 180 days or longer, and conducts an accounting write-off of the excess recorded debt balance over the collateral value (net of selling costs).

Note that accounting write-offs do not involve a legal waiver, and only reduce the reported debt balance for accounting purposes, by creating a new cost basis for the debt on Bank books.

Note 1 – Reporting Principles and Accounting Policies – continued

Disclosure requirements

The Bank applies disclosure requirements for creditworthiness of debt and for provision for credit losses, as stipulated in codification section 310-10 "Debts" and in conformity with disclosure requirements in codification section 326-20 "Financial instruments – credit losses – instruments measured at amortized cost", on consolidated basis.

See also Note 6 regarding "Credit risk, loans to the public and provision for credit losses" and Note 13 regarding "Additional information about credit risk, loans to the public and provision for credit losses" to these sample interim financial statements.

The Bank has adapted these disclosures to the new disclosure format and to disclosure with regard to non-accruing debts, in lieu of impaired debts, with re-classification of comparison figures, to adapt them to the new disclosure format, except for disclosure requirements with respect to credit quality by year when credit was extended, which does not require comparison figures for periods prior to initial application.

Below is a summary of the effect of transition to application of the new rules, as of January 1, 2022:

	December 31, 2021	Effect of CECL implementation	January 1, 2022
			NIS in millions
	(Audited)		(Unaudited)
1. Provision for credit losses			
Total provision for credit losses	2,103	378	2,481
Of which: Provision for credit losses – commercial portfolio	1,061	310	1,371
Of which: Provision for credit losses – residential mortgages	804	(40)	764
Of which: Provision for credit losses – private indivduals, other	238	108	346
2. Shareholders' equity			
Retained earnings	17,500	(1)(355)	17,145
3. Capital adequacy and leverage(2)			
Tier I equity ratio	10.04	(0.08)	9.96
Total capital ratio	13.66	(0.06)	13.61
Leverage ratio	5.18	(0.03)	5.15

(1) The decrease in retained earnings with respect to increase in provision for credit losses, including provision with respect to off-balance sheet balances recognized under Other Liabilities and non-recognized interest revenues, and net of tax effect.

(2) The effect on the capital adequacy ratio includes the effect of net change in loans to the public, the deduction from capital with respect to residential mortgages in default for an extended period, and attribution of initial application over a 3-year period, in conformity with the transition provisions.

2. Discontinued use of LIBOR and transition to using alternative reference interest rates

In conformity with the interest rate benchmark reform, inter-bank interest rates (IBOR rates) were discontinued and replaced by alternative interest rate benchmarks that may be observed or that are based on actual transactions, thus less sensitive to manipulation. Accordingly, a decision was made to gradually discontinue the use of LIBOR.

On October 3, 2021, the Supervisor of Banks issued a circular regarding Proper Conduct of Banking Business Directive 250A "Transition from LIBOR Interest Rates", so as to help in completing preparations of the banking system in Israel for this transition.

As from January 1, 2022, the Bank discontinued use of LIBOR for transactions conducted as from said date. For transactions in USD dating from prior to the transition date, the Bank continues to use LIBOR through June 2023. For transactions in other currencies dating from prior to the transition date, the reference interest rates have been replaced. This change did not materially impact the financial statements.

3. Update to Public Reporting Directive with regard to presentation of return on equity and quarterly revenue and expense rates on annualized basis

In conformity with the update, the Bank's financial statements as of March 31, 2022 include revision of comparative figures with respect to return calculations, including calculation of return on equity, for interim periods.

Note 1 – Reporting Principles and Accounting Policies – continued

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

Amendment	Publication requirements	Start date and transition provisions	Implications
Update to standard ASU 2022-01 regarding improvements to application of fair value hedge accounting using the layer method	On March 28, 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-01 regarding improvements to application of fair value hedge accounting using the layer method in the portfolio, designed to best align hedge accounting with the company's risk management policy (hereinafter: "the Update"). Highlights of amendments in the Update include, *inter alia*, expansion of the final layer method so as to allow for hedging of multiple layers, clarifications with regard to accounting treatment and additional disclosure requirements.	Provisions of the Update shall apply to public entities in the USA starting on annual or interim periods starting after December 15, 2022, or upon early adoption, should the entity chose early adoption of the standard.	The Bank is reviewing the effect of the new provisions on its financial statements
Update to standard ASU 2022-02 regarding re-structuring of problematic debts and disclosure requirements by year when credit was extended	On March 31, 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-02 regarding re-structuring of problematic debts and disclosure requirements by year when credit was extended with regard to provisions for credit losses (hereinafter: "the Update"). The Update rescinds the provisions regarding re-structuring of problematic debts by lenders, improving the disclosure requirements with respect to borrowers facing economic challenges. The Update also adds a disclosure requirement regarding gross write-offs by year when credit was extended.	Provisions of the Update shall apply to entities which have adopted the standard update 2016-13 as from annual and interim periods starting after December 15, 2022. Other entities shall apply the provisions of the Update upon initial application of the standard update 2016-13.	The Bank is reviewing the effect of the new provisions on its financial statements
Extension of transitional provision regarding implementation of provisions of Section 830 of the Codification "Foreign currency "	The transitional provision instructs banking corporations not to include exchange rate differentials with respect to available-for-sale bonds as part of fair value adjustment of such bonds, but rather to continue treating these as stipulated in the Public Reporting Directives prior to adoption of Section 830 of the Codification "Foreign currency", through December 31, 2022.	January 1, 2023	No material impact is expected

Note 2 – Interest revenues and expenses

Reported amounts (NIS in millions)

	For the three months ended March 31		For the year ended December 31
	2022	**2021**	**2021**
		(Unaudited)	**(Audited)**
a. Interest revenues[1]			
From loans to the public	3,050	2,140	10,242
From loans to Governments	4	3	11
From deposits with the Bank of Israel and from cash	26	21	79
From deposits with banks	1	1	7
From securities loaned or purchased in resale agreements[2]	-	-	-
From bonds	63	43	218
Total interest revenues	**3,144**	**2,208**	**10,557**
B. Interest expenses			
On deposits from the public	589	363	1,716
On deposits from governments	-	-	4
On deposits from banks	1	1	4
On bonds and subordinated notes	410	153	1,142
On other liabilities	-	-	6
Total interest expenses	**1,000**	**517**	**2,872**
Total interest revenues, net	**2,144**	**1,691**	**7,685**
c. Details of net effect of hedging financial derivatives on interest revenues[3]	51	4	83
d. Details of interest revenues on accrual basis from bonds			
Held to maturity	9	6	41
Available for sale	52	35	167
Held for trading	2	2	10
Total included under interest revenues	**63**	**43**	**218**

(1) Includes the effective element in the hedging ratios.
(2) Balance lower than NIS 0.5 million.
(3) Details of effect of hedging derivative instruments: on interest revenues, net.

Note 3 – Non-interest financing revenues

Reported amounts (NIS in millions)

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
		(Unaudited)	(Audited)
a. Non-interest financing revenues (expenses) with respect to non-trading operations			
1. From activity in derivative instruments			
Net revenues (expenses) with respect to ALM derivative instruments(1)	475	806	(890)
Total from activity in derivative instruments	**475**	**806**	**(890)**
2. From investment in bonds			
Gains on sale of bonds available for sale	10	25	60
Total from investment in bonds	**10**	**25**	**60**
3. Exchange rate differences, net	**(498)**	**(757)**	**1,124**
4. Gains from investment in shares			
Gains from sale of shares not held for trading	6	5	51
Provision for impairment of shares not held for trading	(2)	(4)	(9)
Dividends from shares not held for trading	3	4	20
Unrealized gains (losses)(3)	4	52	77
Total from investment in shares	**11**	**57**	**139**
5. Net gains with respect to loans sold	**-**	**-**	**-**
Total non-interest financing revenues with respect to non-trading purposes	**(2)**	**131**	**433**
b. Non-interest financing revenues (expenses) with respect to trading operations(2)			
Net revenues (expenses) with respect to other derivative instruments	106	66	(6)
Realized gains (losses) from adjustment to fair value of bonds held for trading, net	11	(9)	(30)
Unrealized gains from adjustment to fair value of bonds held for trading, net	2	1	4
Total from trading activity(4)	**119**	**58**	**(32)**
Details of non-interest financing revenues (expenses) with respect to trading operations, by risk exposure			
Interest exposure	17	20	23
Foreign currency exposure	102	38	(55)
Exposure to shares	-	-	-
Exposure to commodities and others	-	-	-
Total	**119**	**58**	**(32)**

(1) Derivative instruments which constitute part of the Bank's asset and liability management system, which were not designated as hedges.
(2) Includes exchange rate differentials resulting from trading operations.
(3) Including gains / losses from measurement at fair value of shares for which fair value is available, and upward / downward adjustment of shares for which no fair value is available.
(4) For interest revenues from investments in bonds held for trading, see Note 2.D.

Note 4 – Cumulative other comprehensive income (loss)

Reported amounts (NIS in millions)

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

	Other comprehensive income (loss), before attribution to non-controlling interests						
	Adjustments for presentation of available-for-sale securities at fair value	Translation adjustments[(1)]	Net gains (losses) from cash flow hedges	Adjustments with respect to employees' benefits[(2)]	Total	Other comprehensive income attributed to non-controlling interests	Other comprehensive income (loss) attributable to shareholders of the Bank
	For the three months ended March 31, 2022						
	(Unaudited)						
Balance as of December 31, 2021	98	(2)	(12)	(412)	(328)	(25)	(303)
Net change in the period	(228)	-	(7)	142	(93)	5	(98)
Balance as of March 31, 2022	**(130)**	**(2)**	**(19)**	**(270)**	**(421)**	**(20)**	**(401)**
	For the three months ended March 31, 2021						
	(Unaudited)						
Balance as of December 31, 2020	82	(1)	10	(399)	(308)	(32)	(276)
Net change in the period	(43)	(1)	(20)	7	(57)	1	(58)
Balance as of March 31, 2021	**39**	**(2)**	**(10)**	**(392)**	**(365)**	**(31)**	**(334)**
	For the year ended December 31, 2021						
	(Audited)						
Balance as of December 31, 2020	82	(1)	10	(399)	(308)	(32)	(276)
Net change in the period	16	(1)	(22)	(13)	(20)	7	(27)
Balance as of December 31, 2021	**98**	**(2)**	**(12)**	**(412)**	**(328)**	**(25)**	**(303)**

(1) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.

(2) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve for the streamlining program.

Note 4 – Cumulative other comprehensive income (loss) – continued

Reported amounts (NIS in millions)

E. Changes in items of cumulative other comprehensive income (loss) before and after tax effect (Continued)

	For the three months ended March 31						For the year ended December 31		
	2022			2021			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	(Unaudited)						(Audited)		
Change in items of other comprehensive income (loss), before attribution to non-controlling interests:									
Adjustments for presentation of available-for-sale securities at fair value									
Net unrealized gains (losses) from adjustments to fair value	(334)	113	(221)	(40)	13	(27)	85	(30)	55
Losses (gains) with respect to available-for-sale securities reclassified to the statement of profit and loss[1]	(10)	3	(7)	(25)	9	(16)	(60)	21	(39)
Net change in the period	**(344)**	**116**	**(228)**	**(65)**	**22**	**(43)**	**25**	**(9)**	**16**
Translation adjustments									
Adjustments from translation of financial statements[2]	-	-	-	(1)	-	(1)	(1)	-	(1)
Net change in the period	**-**	**-**	**-**	**(1)**	**-**	**(1)**	**(1)**	**-**	**(1)**
Cash flows hedges									
Net losses from cash flow hedges	(11)	4	(7)	(30)	10	(20)	(33)	11	(22)
Net (gains) losses with respect to cash flow hedges reclassified to the statement of profit and loss[3]	-	-	-	-	-	-	-	-	-
Net change in the period	**(11)**	**4**	**(7)**	**(30)**	**10**	**(20)**	**(33)**	**11**	**(22)**
Employees' benefits									
Net actuarial gain (loss) for the period	203	(68)	[4]135	(5)	1	[4](4)	(82)	27	[4](55)
Net losses reclassified to the statement of profit and loss	11	(4)	7	16	(5)	11	64	(22)	42
Net change in the period	**214**	**(72)**	**142**	**11**	**(4)**	**7**	**(18)**	**5**	**(13)**
Total net change in the period	**(141)**	**48**	**(93)**	**(85)**	**28**	**(57)**	**(27)**	**7**	**(20)**
Total net change in the period attributable to non-controlling interests	**8**	**(3)**	**5**	**2**	**(1)**	**1**	**11**	**(4)**	**7**
Total net change in the period attributable to shareholders of the Bank	**(149)**	**51**	**(98)**	**(87)**	**29**	**(58)**	**(38)**	**11**	**(27)**

(1) Pre-tax amount included in the statement of profit and loss under "Non-interest financing revenues". For details, see Note 3.A.2.
(2) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.
(3) Pre-tax amount included in the statement of profit and loss under "Interest revenues". For details, see Note 3.A.1.
(4) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve for the streamlining program.

Note 5 – Securities

March 31, 2022 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized		Fair value[1]
				Gains	Losses	
(1) Bonds held to maturity						
of Government of Israel	2,318	2,318	-	32	(40)	2,310
Of financial institutions in Israel	248	248	-	-	(5)	243
Of others in Israel	39	39	-	-	-	39
Total bonds held to maturity	**2,605**	**2,605**	**-**	**32**	**(45)**	**2,592**
	Carrying amount	**Amortized cost**	**Balance of provision for credit losses**	**Cumulative other comprehensive income[4]**		**Fair value[1]**
				Gains	**Losses**	
(2) Bonds available for sale						
of Government of Israel	7,549	7,764	-	56	(271)	7,549
of foreign governments[3]	3,681	3,682	-	3	(4)	3,681
Of financial institutions in Israel	397	414	-	1	(18)	397
Of foreign financial institutions	210	213	-	2	(5)	210
Asset-backed (ABS)	35	34	-	1	-	35
Of others in Israel	682	657	-	38	(13)	682
Of others overseas	234	221	(2)	16	(1)	234
Total bonds available for sale	**12,788**	**12,985**	**(2)**	**117**	**(312)**	**12,788**
	Carrying amount	**Cost**	**Balance of provision for credit losses**	**Adjustments to fair value yet to be realized[5]**		**Fair value[1]**
				Gains	**Losses**	
(3) Investment in shares not held for trading	**704**	**570**	**-**	**137**	**(3)**	**704**
Of which: Shares for which no fair value is available[6]	410	397	-	13	-	410
Total securities not held for trading	**16,097**	**16,160**	**(2)**	**286**	**(360)**	**16,084**

Note 5 – Securities – continued

March 31, 2022 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized[5]		Fair value[1]
				Gains	Losses	
(4) Bonds held for trading						
of Government of Israel	770	782	-	3	(15)	770
Of financial institutions in Israel	6	6	-	-	-	6
Of others in Israel	30	29	-	2	(1)	30
Of others overseas	43	43	-	1	(1)	43
Total bonds held for trading	**849**	**860**	**-**	**6**	**(17)**	**849**
Shares and other securities	21	18	-	5	(2)	21
Total securities held for trading	**870**	**878**	**-**	**11**	**(19)**	**870**
Total securities[2]	**16,967**	**17,038**	**(2)**	**297**	**(379)**	**16,954**
(5) Additional information about bonds						
Recorded debt balance of						
Impaired bonds accruing interest revenues						1
Impaired bonds not accruing interest revenues						41
						42

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.

(2) Of which: Securities pledged to lenders, amounting to NIS 1,089 million and securities provided as collateral to lenders, amounting to NIS 145 million.

(3) US government bonds.

(4) Included in shareholders' equity in "adjustments on presentation of bonds available for sale at fair value".

(5) Charged to statement of profit and loss but not yet realized.

(6) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

Remarks:

- For more information about operations involving investments in bonds – see Notes 2.D, 3.A.2 and 3.B. to the financial statements. For more information about investments in shares – see Note 3.A.4 to the financial statements.
- The distinction between Israeli and foreign bonds was made in conformity with the country of residence of the authority which issued the security.

Note 5 – Securities – continued

March 31, 2021 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized		Fair value[1]
				Gains	Losses	
(1) Bonds held to maturity						
of Government of Israel	3,129	3,129	-	58	(5)	3,182
Of financial institutions in Israel	358	358	-	5	-	363
Of others in Israel	17	17	-	-	-	17
Total bonds held to maturity	**3,504**	**3,504**	**-**	**63**	**(5)**	**3,562**
	Carrying amount	**Amortized cost**	**Balance of provision for credit losses**	**Cumulative other comprehensive income[4]**		**Fair value[1]**
				Gains	**Losses**	
(2) Bonds available for sale						
of Government of Israel	9,659	9,655	-	85	(81)	9,659
of foreign governments[3]	2,941	2,942	-	1	(2)	2,941
Of financial institutions in Israel	201	199	-	2	-	201
Of foreign financial institutions	221	219	-	3	(1)	221
Asset-backed (ABS)	33	32	-	1	-	33
Of others in Israel	687	649	-	39	(1)	687
Of others overseas	301	291	-	12	(2)	301
Total bonds available for sale	**14,043**	**13,987**	**-**	**143**	**(87)**	**14,043**
	Carrying amount	**Cost**	**Balance of provision for credit losses**	**Adjustments to fair value yet to be realized[5]**		**Fair value[1]**
				Gains	**Losses**	
(3) Investment in shares not held for trading	**528**	**412**	**-**	**120**	**(4)**	**528**
Of which: Shares for which no fair value is available[6]	256	256	-	-	-	256
Total securities not held for trading	**18,075**	**17,903**	**-**	**326**	**(96)**	**18,133**

Note 5 – Securities – continued

March 31, 2021 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized(5) Gains	Losses	Fair value(1)
(4) Bonds held for trading						
of Government of Israel	1,384	1,393	-	-	(9)	1,384
Of financial institutions in Israel	1	1	-	-	-	1
Of others in Israel	25	23	-	2	-	25
Of others overseas	27	25	-	2	-	27
Total bonds held for trading	**1,437**	**1,442**	**-**	**4**	**(9)**	**1,437**
Shares and other securities	17	20	-	2	(5)	17
Total securities held for trading	**1,454**	**1,462**	**-**	**6**	**(14)**	**1,454**
Total securities(2)	**19,529**	**19,365**	**-**	**332**	**(110)**	**19,587**

(5) Additional information about bonds	
Recorded debt balance of	
Impaired bonds not accruing interest revenues	40
	40

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.

(2) Of which: Securities pledged to lenders, amounting to NIS 1,075 million and securities provided as collateral to lenders, amounting to NIS 164 million.

(3) US government bonds.

(4) Included in shareholders' equity in "adjustments on presentation of bonds available for sale at fair value".

(5) Charged to statement of profit and loss but not yet realized.

(6) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

Remarks:

- For more information about operations involving investments in bonds – see Notes 2.D, 3.A.2 and 3.B. to the financial statements. For more information about investments in shares – see Note 3.A.4 to the financial statements.
- The distinction between Israeli and foreign bonds was made in conformity with the country of residence of the authority which issued the security.

Note 5 – Securities – continued

As of December 31, 2021 (audited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized		Fair value[1]
				Gains	Losses	
(1) Bonds held to maturity						
of Government of Israel	2,634	2,634	-	62	(5)	2,691
Of financial institutions in Israel	271	271	-	4	-	275
Of others in Israel	29	29	-	-	-	29
Total bonds held to maturity	**2,934**	**2,934**	**-**	**66**	**(5)**	**2,995**
	Carrying amount	**Amortized cost**	**Balance of provision for credit losses**	**Cumulative other comprehensive income[4]**		
				Gains	**Losses**	**Fair value[1]**
(2) Bonds available for sale						
of Government of Israel	7,314	7,244	-	110	(40)	7,314
of foreign governments[3]	2,035	2,035	-	1	(1)	2,035
Of financial institutions in Israel	326	323	-	3	-	326
Of foreign financial institutions	177	176	-	2	(1)	177
Asset-backed (ABS)	6	6	-	-	-	6
Of others in Israel	712	659	-	55	(2)	712
Of others overseas	253	232	-	21	-	253
Total bonds available for sale	**10,823**	**10,675**	**-**	**192**	**(44)**	**10,823**
	Carrying amount	**Cost**	**Balance of provision for credit losses**	**Adjustments to fair value yet to be realized[5]**		
				Gains	**Losses**	**Fair value[1]**
(3) Investment in shares not held for trading	**706**	**574**	**-**	**134**	**(2)**	**706**
Of which: Shares for which no fair value is available[6]	414	403	-	11	-	414
Total securities not held for trading	**14,463**	**14,183**	**-**	**392**	**(51)**	**14,524**

Note 5 – Securities – continued

As of December 31, 2021 (audited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized[5] Gains	Losses	Fair value[1]
(4) Bonds held for trading						
of Government of Israel	473	465	-	9	(1)	473
Of financial institutions in Israel	4	4	-	-	-	4
Of others in Israel	24	23	-	2	(1)	24
Of others overseas	49	47	-	2	-	49
Total bonds held for trading	**550**	**539**	**-**	**13**	**(2)**	**550**
Shares and other securities	20	21	-	4	(5)	20
Total securities held for trading	**570**	**560**	**-**	**17**	**(7)**	**570**
Total securities[2]	**15,033**	**14,743**	**-**	**409**	**(58)**	**15,094**

(5) Additional information about bonds	
Recorded debt balance of	
Impaired bonds not accruing interest revenues	45
	45

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.

(2) Of which: Securities pledged to lenders, amounting to NIS 1,079 million and securities provided as collateral to lenders, amounting to NIS 143 million.

(3) US government bonds.

(4) Included in shareholders' equity in "adjustments on presentation of bonds available for sale at fair value".

(5) Charged to statement of profit and loss but not yet realized.

(6) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

Remarks:

- For more information about operations involving investments in bonds – see Notes 2.D, 3.A.2 and 3.B. For more information of investments in shares – see Note 3.A.4.
- The distinction between Israeli and foreign bonds was made in conformity with the country of residence of the entity which issued the securities.

Note 5 – Securities – continued

Reported amounts (NIS in millions):

(6) Fair value and unrealized losses, by time period and impairment rate, of bonds available for sale, which include unrealized loss without provision for credit losses:

	Less than 12 months				12 months or more			
	Fair value[1]	Unrealized losses 0%-20%	Unrealized losses 20%-40%	Total	Fair value[1]	Unrealized losses 0%-20%	Unrealized losses 20%-40%	Total
								As of March 31, 2022 (unaudited)
Bonds available for sale								
of Government of Israel	2,173	86	-	86	2,226	185	-	185
of foreign governments[2]	2,327	1	-	1	44	3	-	3
Of financial institutions in Israel	365	18	-	18	-	-	-	-
Of foreign financial institutions	92	5	-	5	-	-	-	-
Of others in Israel	260	13	-	13	-	-	-	-
Of others overseas	21	1	-	1	-	-	-	-
Total bonds available for sale	**5,238**	**124**	**-**	**124**	**2,270**	**188**	**-**	**188**
								As of March 31, 2021 (unaudited)
Bonds available for sale								
of Government of Israel	4,226	77	-	77	299	4	-	4
of foreign governments[2]	2,827	2	-	2	-	-	-	-
Of foreign financial institutions	30	1	-	1	-	-	-	-
Of others in Israel	95	1	-	1	-	-	-	-
Of others overseas	77	2	-	2	-	-	-	-
Total bonds available for sale	**7,255**	**83**	**-**	**83**	**299**	**4**	**-**	**4**
								As of December 31, 2021 (audited)
Bonds available for sale								
of Government of Israel	2,029	32	-	32	602	8	-	8
Of foreign governments(2)	1,834	1	-	1	-	-	-	-
Of financial institutions in Israel	25	[3]-	-	-	-	-	-	-
Of foreign financial institutions	38	1	-	1	-	-	-	-
Asset-backed (ABS)	1	[3]-	-	-	-	-	-	-
Of others in Israel	75	2	-	2	-	-	-	-
Of others overseas	5	[3]-	-	-	-	-	-	-
Total bonds available for sale	**4,007**	**36**	**-**	**36**	**602**	**8**	**-**	**8**

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.
(2) US government bonds.
(3) Balance lower than NIS 0.5 million.

Note 5 – Securities – continued

Reported amounts (NIS in millions):

(7) Asset-backed and mortgage-backed securities

	Carrying amount	Amortized cost	Cumulative other comprehensive income		Fair value
			Gains	Losses	
	As of March 31, 2022 (unaudited)				
Asset-backed bonds (ABS)	35	34	1	-	35
Total asset-backed bonds available for sale	**35**	**34**	**1**	**-**	**35**
	As of March 31, 2021 (unaudited)				
Asset-backed bonds (ABS)	33	32	1	-	33
Total asset-backed bonds available for sale	**33**	**32**	**1**	**-**	**33**
	As of December 31, 2021 (audited)				
Asset-backed bonds (ABS)	6	6	-	-	6
Total asset-backed bonds available for sale	**6**	**6**	**-**	**-**	**6**

Note 6 – Credit risk, loans to the public and provision for credit losses

Reported amounts (NIS in millions)

A. Debts[1], bonds held to maturity and available for sale, loans to the public and balance of provision for credit losses

	March 31, 2022 (unaudited)					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds held to maturity and available for sale	Total
Recorded debt balance[1]						
reviewed on individual basis	64,685	-	497	65,182	23,108	88,290
reviewed on group basis	13,212	182,225	24,838	220,275	-	220,275
Total debts	**77,897**	[2]**182,225**	**25,335**	**285,457**	**23,108**	**308,565**
Of which:						
Non-accruing debts	1,080	2,038	59	3,177	-	3,177
Debts in arrears 90 days or longer	37	-	25	62	-	62
Other problematic debts	657	1,226	116	1,999	-	1,999
Total problematic debts	**1,774**	**3,264**	**200**	**5,238**	**-**	**5,238**
Balance of provision for credit losses with respect to debts [1]						
reviewed on individual basis	932	-	6	938	1	939
reviewed on group basis	466	779	357	1,602	-	1,602
Total provision for credit losses	**1,398**	**779**	**363**	**2,540**	**1**	**2,541**
Of which: With respect to non-accruing debts	**261**	**102**	**17**	**380**	**1**	**381**
Of which: With respect to other problematic debts	**117**	**61**	**19**	**197**	**-**	**197**

	March 31, 2021 (unaudited)[3]					
Recorded debt balance:						
reviewed on individual basis	58,482	58	678	59,218	27,137	86,355
reviewed on group basis	9,589	159,885	23,265	192,739	-	192,739
Total debts	**68,071**	[2]**159,943**	**23,943**	**251,957**	**27,137**	**279,094**
Of which:						
Non-accruing debts	1,460	-	56	1,516	1	1,517
Debts in arrears 90 days or longer	28	1,421	22	1,471	-	1,471
Other problematic debts	734	12	107	853	-	853
Total problematic debts	**2,222**	**1,433**	**185**	**3,840**	**1**	**3,841**
Balance of provision for credit losses with respect to debts [1]						
reviewed on individual basis	1,061	1	29	1,091	3	1,094
reviewed on group basis	146	917	264	1,327	-	1,327
Total provision for credit losses	**1,207**	**918**	**293**	**2,418**	**3**	**2,421**
Of which: With respect to non-accruing debts	**340**	**-**	**21**	**361**	**1**	**362**
Of which: With respect to other problematic debts	**137**	**1**	**16**	**154**	**-**	**154**

(1) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements, except for deposits with Bank of Israel.

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 11,284 million (as of March 31, 2021 – NIS 9,625 million).

(3) Re-classified in conformity with new disclosure format.

Note 6 – Credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions):

A. Debts[1], debentures held to maturity and available for sale, loans to the public and balance of provision for credit losses – continued

	December 31, 2021 (audited) [3]					
	Loans to the public				Banks, governments and bonds held to maturity and available for sale	Total
	Commercial	Housing	Individual – other	Total		
Recorded debt balance:						
reviewed on individual basis	63,761	36	564	64,361	23,888	88,249
reviewed on group basis	9,162	175,722	24,286	209,170	-	209,170
Total debts	**72,923**	**[2]175,758**	**24,850**	**273,531**	**23,888**	**297,419**
Of which:						
Non-accruing debts	1,193	-	56	1,249	1	1,250
Debts in arrears 90 days or longer	26	1,300	26	1,352	-	1,352
Other problematic debts	708	-	111	819	-	819
Total problematic debts	**1,927**	**1,300**	**193**	**3,420**	**1**	**3,421**
Balance of provision for credit losses with respect to debts:						
reviewed on individual basis	959	1	21	981	1	982
reviewed on group basis	102	803	217	1,122	-	1,122
Total provision for credit losses	**1,061**	**804**	**238**	**2,103**	**1**	**2,104**
Of which: With respect to non-accruing debts	**302**	**-**	**18**	**320**	**1**	**321**
Of which: With respect to other problematic debts	**114**	**1**	**19**	**134**	**-**	**134**

(1) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements, except for deposits with Bank of Israel.

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 11,145 million.

(3) Re-classified in conformity with new disclosure format.

Note 6 – Credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions):

B. Change in balance of provision for credit losses

	For the three months ended March 31, 2022 (Unaudited)					
	Provision for credit losses					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds held to maturity and available for sale	Total
Balance of provision for credit losses at start of period	1,256	804	254	2,314	1	2,315
Opening balance adjustment for effect of initial application of public reporting directives with regard to expected credit losses(1)	304	(32)	120	392	-	392
Expenses (income) with respect to credit losses	61	14	4	79	-	79
Accounting write-offs	(38)	-	(35)	(73)	-	(73)
Collection of debts written off for accounting purposes in previous years	30	-	23	53	-	53
Net accounting write-offs	(8)	-	(12)	(20)	-	(20)
Other(2)	(23)	1	10	(12)	-	(12)
Balance of provision for credit losses at end of period	**1,590**	**787**	**376**	**2,753**	**1**	**2,754**
Of which: With respect to off balance sheet credit instruments	**192**	**8**	**13**	**213**	**-**	**213**

	For the three months ended March 31, 2021 (Unaudited)					
Balance of provision for credit losses at start of period	1,383	942	340	2,665	2	2,667
Expenses with respect to credit losses	45	(23)	(10)	12	1	13
Accounting write-offs	(41)	(1)	(42)	(84)	-	(84)
Collection of debts written off for accounting purposes in previous years	23	-	24	47	-	47
Net accounting write-offs	(18)	(1)	(18)	(37)	-	(37)
Other(2)	3	-	4	7	-	7
Balance of provision for credit losses at end of period	**1,413**	**918**	**316**	**2,647**	**3**	**2,650**
Of which: With respect to off balance sheet credit instruments	**206**	**-**	**23**	**229**	**-**	**229**

(1) Including with respect to residential mortgages of insignificant amount.

(2) Movement in provision for credit losses in subsidiary, primarily attributed to cost of acquisition upon initial consolidation, and is therefore not included on the consolidated balance sheet.

Note 7 – Deposits from the Public

Reported amounts (NIS in millions):

a. Deposit types by location solicited and depositor type

	March 31		December 31
	2022	2021	2021
		(Unaudited)	(Audited)
In Israel			
On-call			
Non interest-bearing	105,523	96,425	103,889
Interest-bearing	49,073	46,029	47,151
Total on-call	**154,596**	**142,454**	**151,040**
Term deposits	153,544	147,047	152,698
Total deposits in Israel[(1)]	**308,140**	**289,501**	**303,738**
Outside of Israel			
On-call			
Non interest-bearing	485	653	492
Interest-bearing	29	3	1
Total on-call	**514**	**656**	**493**
Term deposits	3,999	3,609	3,693
Total deposits overseas	**4,513**	**4,265**	**4,186**
Total deposits from the public	**312,653**	**293,766**	**307,924**
(1) Includes:			
Deposits from individuals	**142,040**	**138,074**	**139,715**
Deposits from institutional investors	**63,118**	**52,643**	**61,365**
Deposits from corporations and others	**102,982**	**98,784**	**102,658**

b. Deposits from the public by size

	March 31		December 31
	2022	2021	2021
		(Unaudited)	(Audited)
Maximum deposit (NIS in millions)			
Up to 1	95,831	97,454	95,170
Over 1 to 10	80,011	75,182	78,746
Over 10 to 100	44,551	43,046	44,740
Over 100 to 500	34,872	38,081	36,591
Above 500	57,388	40,003	52,677
Total	**312,653**	**293,766**	**307,924**

Note 8 – Employees' Rights

Description of benefits

1. Employment terms of the vast majority of Bank Group employees and managers are determined by provisions of collective bargaining agreements. Pension liabilities to these employees, except for Bank Yahav employees, are covered by regular deposits to pension, provident and severance-pay funds, which release the Bank from severance-pay liabilities for those employees by law. For more information about various benefits to Bank employees and managers, see Note 22 to the 2021 financial statements.

2. Remuneration policy for Bank officers and for all Bank employees other than officers

   For more information about remuneration policy for Bank officers and remuneration policy for all Bank employees other than officers, see Note 22 to the 2021 financial statements.

3. Special collective bargaining agreement at Union Bank

   For information about a special collective bargaining agreement was signed by Union Bank and two of its subsidiaries, by the New General Labor Union / the MAOF trade union / Bank and Credit Company Staff Division and by the Employee Union of Union Bank and the Manager and Authorized Signatory Association of Union Bank, see Note 22 to the 2021 financial statements.

4. Net benefit cost components recognized in profit and loss with respect to defined benefit and defined contribution pension plans (NIS in millions):

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
		(Unaudited)	(Audited)
Under payroll and associated expenses			
Cost of service(1)	21	21	84
Under other expenses			
Cost of interest(2)	16	11	53
Expected return on plan assets(3)	(4)	(3)	(13)
Deduction of non-allowed amounts:			
Net actuarial loss(4)	18	14	62
Total under other expenses	30	22	102
Total benefit cost, net	**51**	**43**	**186**
Total expense with respect to defined-contribution pension	76	49	193
Total expenses recognized in profit and loss	**127**	**92**	**379**

	Forecast	Actual deposits		
	For(5)	For the three months ended March 31		For the year ended December 31
	2022	2022	2021	2021
			(Unaudited)	(Audited)
Deposits	9	3	3	14

(1) Cost of service is the current accrual of the future employee benefit in the period.
(2) Cost of interest is the amount recognized in the period, set based on the increase in obligation with respect to expected benefit due to passage of time.
(3) Expected return is the expected return on plan assets, determined based on expected long-term rates of return on plan assets and based on the established market value of plan assets.
(4) Deduction of net gain or loss previously recognized in Cumulative Other Comprehensive Income.
(5) Estimated contributions expected to be paid into defined-benefit pension plans through 2022.

Note 9 – Capital Adequacy, liquidity and leverage

Reported amounts (NIS in millions)

A. Capital adequacy

Calculated in accordance with Proper Conduct of Banking Business Directives 201-211 "Measurement and Capital Adequacy"

	As of March 31		As of December 31
	2022	**2021**	**2021**
		(Unaudited)	**(Audited)**
1. Consolidated data			
a. Capital for purpose of calculating the capital ratio			
Tier I equity[1]	22,650	20,708	21,969
Tier I capital[1]	22,650	20,708	21,969
Tier II capital	7,664	6,665	7,914
Total capital[1]	**30,314**	**27,373**	**29,883**
b. Weighted risk asset balances			
Credit risk	209,711	188,340	202,611
Market risks	2,446	2,484	2,268
Operational Risk	14,144	13,112	13,831
Total weighted risk asset balances[2]	**226,301**	**203,936**	**218,710**
c. Ratio of capital to risk components			
			In %
Ratio of Tier I equity to risk components	10.01	10.15	10.04
Ratio of Tier I capital to risk components	10.01	10.15	10.04
Ratio of total capital to risk components	13.40	13.42	13.66
Minimum Tier I equity ratio required by Supervisor of Banks[3]	9.61	8.66	8.60
Total minimum capital ratio required by the Supervisor of Banks[3]	12.50	11.50	11.50
2. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Ratio of Tier I equity to risk components	9.87	9.55	9.85
Ratio of Tier I capital to risk components	9.87	9.55	9.85
Ratio of total capital to risk components	13.48	12.81	13.49
Minimum Tier I capital ratio required by Supervisor of Banks	9.00	8.00	8.00
Total minimum capital ratio required by the Supervisor of Banks	12.50	11.50	11.50
Union Bank Le-Israel Ltd. and its subsidiaries			
Ratio of Tier I equity to risk components	19.35	14.06	16.28
Ratio of Tier I capital to risk components	19.35	14.06	16.28
Ratio of total capital to risk components	22.78	17.45	19.40
Minimum Tier I capital ratio required by Supervisor of Banks	9.43	8.39	8.43
Total minimum capital ratio required by the Supervisor of Banks	12.50	11.50	11.50

(1) These data include adjustments with respect to streamlining programs charged proportionately over 5 years since their start date. For more information see section 3.A. below.

(2) Of the total weighted balance of risk assets with respect to the streamlining plan, we deducted on March 31, 2021 NIS 40 million and on December 31, 2021 NIS 1 million.

(3) For more information about adjustments to minimum capital ratios due to the Corona Virus crisis, see section F. below.
An additional capital requirement was added to these ratios at 1% of the residential mortgage balance as of the report date, excluding residential mortgages extended during the Corona Virus crisis.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

A. Capital adequacy – continued

Calculated in accordance with Proper Conduct of Banking Business Directives 201-211 "Measurement and Capital Adequacy" – continued

	As of March 31		As of December 31
	2022	2021	2021
		(Unaudited)	(Audited)
3. Capital components for calculating the capital ratio (on consolidated data)			
a. Tier I equity			
Shareholders' equity	22,184	20,311	21,729
Differences between shareholders' equity and Tier I equity	(478)	(472)	(513)
Tier I equity before regulatory adjustments and deductions	**21,706**	**19,839**	**21,216**
Supervisory adjustments and deductions:			
Goodwill and intangible assets	(162)	(182)	(167)
Deferred tax assets	-	(118)	(6)
Supervisory adjustments and other deductions(1)	811	1,068	892
Total supervisory adjustments and deductions, before adjustments with respect to the streamlining plan before adjustments for expected credit losses – Tier I equity	**649**	**768**	**719**
Total adjustments with respect to the streamlining program(2)	28	101	34
Total adjustments for expected credit losses	267		
Total Tier I equity after supervisory adjustments and deductions	**22,650**	**20,708**	**21,969**
b. Tier II capital			
Tier II capital: Instruments, before deductions	5,535	4,382	5,933
Tier II capital: Provisions, before deductions	2,336	2,283	1,981
Total Tier II capital, before deductions	**7,871**	**6,665**	**7,914**
Deductions:			
Deductions – Total adjustments for expected credit losses	(207)	-	-
Total Tier II capital	7,664	6,665	7,914
Total capital	**30,314**	**27,373**	**29,883**

4. Effect of adjustments to streamlining plan on Tier I equity ratio:

	As of March 31		As of December 31
	2022	2021	2021
			In %
Ratio of capital to risk components			
Ratio of Tier I equity to risk components, before effect of adjustments with respect to the streamlining plan	9.86	10.10	10.03
Effect of adjustments with respect to the streamlining plan	0.02	0.05	0.01
Effect of adjustments for expected credit losses	0.13		
Ratio of Tier I equity to risk components	10.01	10.15	10.04

(1) Includes deferred credit balance from acquisition of Union Bank as from September 30, 2020 and deduction with respect to residential mortgages. See section G. below.

(2) Of which, NIS 28 million with respect to streamlining program concerning employees (on March 31, 2021: NIS 99 million with respect to streamlining program concerning employees and NIS 3 million with respect to streamlining program concerning real estate; on December 31, 2021: NIS 38 million with respect to streamlining program concerning employees and NIS 1 million with respect to streamlining program concerning real estate).

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

B. Leverage ratio

Calculated in conformity with Proper Conduct of Banking Business Directive 218 "Leverage ratio"

	As of March 31		As of December 31
	2022	2021	2021
	(Unaudited)		(Audited)
1. Consolidated data			
Tier I capital[1]	22,650	20,708	21,969
Total exposure	426,244	401,308	423,950
	In %		
Leverage ratio	5.31	5.16	5.18
Minimum leverage ratio required by the Supervisor of Banks[2]	4.50	4.50	4.50
2. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Leverage ratio	5.59	5.09	5.55
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
Union Bank Le-Israel Ltd. and its subsidiaries			
Leverage ratio	11.08	6.34	8.37
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50

(1) For effect of adjustments with respect to the streamlining program and with respect to initial application of accounting practices for expected credit losses, see sections A.3, A.4 above.

(2) Banking corporations are required to achieve the minimum leverage ratio required by the Supervisor of Banks as from January 1, 2018.

C. Liquidity coverage ratio

Calculated in accordance with Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio"

	As of March 31		As of December 31
	2022	2021	2021
	(Unaudited)		(Audited)
	In %		
1. Consolidated data			
Liquidity coverage ratio[1]	120	133	125
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
2. Bank data			
Liquidity coverage ratio[1]	118	125	120
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
3. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Liquidity coverage ratio[1]	173	242	266
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
Union Bank Le-Israel Ltd. and its subsidiaries			
Liquidity coverage ratio[1]	145	178	165
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100

(1) In terms of simple average of daily observations during the reported quarter.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

D. Minimum net stable funding ratio required by directives of the Supervisor of Banks

As from December 31, 2021, the Bank applies Proper Conduct of Banking Business Directive 222 concerning "Net stable funding ratio (NSFR)", which adopts the Basel Committee recommendation with regard to net stable funding ratio in the banking system in Israel. In conformity with this directive, the objective of the net stable funding ratio is to improve stability of the liquidity risk profile of banking corporations over the long term, by requiring banking corporations to maintain a stable funding profile in conformity with the composition of on-balance sheet assets and off-balance sheet operations. The net stable funding ratio consists of two components: available stable funding items (numerator) and required stable funding items (denominator). "Available stable funding" is defined as the part of capital and liabilities that may be relied upon over the time horizon taken into account in the net stable funding ratio, of one year. The required stable funding amount for a given corporation is based on the liquidity attributes and time to maturity of various assets held by the corporation, as well as of off-balance sheet exposures.

Pursuant to the directive, the minimum net stable funding ratio required is 100%.

The net stable funding ratio for significant banking subsidiaries in Israel is calculated in conformity with Proper Conduct of Banking Business Directive 222 "Net stable funding ratio". Net stable funding ratio in significant overseas banking corporations is presented and calculated in conformity with relevant directives in each jurisdiction, if specified.

	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
		In %
(1) On consolidated data		
Net stable funding ratio	116	119
The minimum net stable funding ratio required by the Supervisor of Banks	100	100
(2) Significant subsidiaries		
Bank Yahav		
Net stable funding ratio	174	162
The minimum net stable funding ratio required by the Supervisor of Banks	100	100

Factors which may materially affect the net stable funding ratio

Net stable funding ratio on consolidated basis as of March 31, 2022 was 116%. Volatility of this ratio throughout the quarter was low; the main factors affecting the net stable funding ratio are: composition of Bank sources and uses by financing term, financing type and counter party. On the sources side – long-term liabilities are more stable than short-term liabilities, and funding from retail clients and small businesses is more stable than wholesale funding with the same maturity. When long-term sources grow shorter on a large scale (such as with subordinated notes) to a term shorter than one year, this factor affects the resulting ratio; however, because this is a funding source which typically has scattered maturities, the impact on the resulting ratio is not material. On the uses side – asset type, asset term and quality and liquidity value determine the required stable funding amount.

E. Basel III

As from January 1, 2014, the Bank applies Proper Conduct of Banking Business Directives 201-211 with regard to capital measurement and adequacy, as amended to align them with Basel III directives.

The Basel III directives stipulated significant changes to calculation of regulatory capital requirements, including with regard to the following:

- Supervisory capital components
- Deductions from capital and supervisory adjustments
- Treatment of exposures to financial corporations
- Treatment of exposures to credit risk with respect to impaired debt
- Capital allocation with respect to CVA risk

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

These regulations are applied gradually, in line with transitional provisions specified in Proper Conduct of Banking Business Directive 299 with regard to "Capital measurement and adequacy – Supervisory capital – Transitional provisions", in order to allow for compliance with new supervisory capital requirements in applying Basel III and to specify a transition period pending full application. The transition provisions refer, inter alia, to supervisory adjustments and deductions from capital, and to capital instruments not qualifying for inclusion in supervisory capital, in conformity with the new criteria stipulated in Basel directives. In particular, in conformity with transition provisions, supervisory adjustments and deductions from capital, and non-controlling interest not qualifying for inclusion in supervisory capital were gradually deducted from capital, at 20% in each year from January 1, 2014 through January 1, 2018. Capital instruments no longer qualifying as supervisory capital were recognized up to a cap of 80% on January 1, 2014, and this cap is reduced by a further 10% in each subsequent year through January 1, 2022. As from January 1, 2018, transition provisions expired with regard to supervisory adjustments and deductions from regulatory capital, and they are at 100%. Moreover, the cap for instruments qualifying as supervisory capital is at 20%. As from January 1, 2021, the cap for instruments qualifying as supervisory capital is at 10%. As from January 1, 2022, transition provisions expired and non-qualifying capital instruments may no longer be recognized in supervisory capital.

F. Minimum capital ratio requirement

As per instructions of the Supervisor of Banks, the Bank is required to maintain a minimum Tier I equity ratio of no less than 9% and a minimum total equity ratio of no less than 12.5% of weighted total of risk components of its balance sheet assets and off-balance-sheet items. Calculation of total capital and total risk components is set forth in the directives.
An additional capital requirement was added to the Tier I equity ratio at 1% of the residential mortgage balance as of the report date.
Due to the Corona Virus outbreak and as part of adaptations of Proper Conduct of Banking Business Directives, the Supervisor of Banks issued Proper Conduct of Banking Business Directive 250 which includes, inter alia, an interim directive with regard to update to Directive 201, including reduction of regulatory capital requirements applicable to banks by one percentage point, and update to Directive 329, eliminating the capital requirements of one additional percentage point for residential mortgages for purchase of a residential apartment extended from March 19, 2020 through September 30, 2021 and for general purpose residential mortgages extended as from March 19, 2020.

During the crisis, the Supervisor of Banks issued updates extending the validity of the Interim Directive, and with regard to reduction of capital requirements, the Supervisor of Banks stipulated that this relief measure would apply through 24 months after expiration of the directive, provided that the banking corporation's capital ratios would not be lower than the capital ratios upon expiration of the directive, or the minimum capital ratios applicable to the banking corporation prior to the Interim Directive, whichever is lower. However, the circular stipulates that reduction of capital ratios by up to 0.3 percentage points within six months after expiration of the directive shall not be deemed a deviation from the foregoing.

On December 27, 2021, the Supervisor of Banks issues a circular whereby the Interim Directive would expire as from January 1, 2022. Furthermore, an update was made to Proper Conduct of Banking Business Directive 329 regarding "Restrictions on residential mortgages" whereby the additional capital requirement at 1 percentage point would only apply to residential mortgages and would not apply to residential mortgages other than for purchasing interest in real estate and by mortgage on an apartment (hereinafter: "General-purpose loan").

In conformity with the Interim Directive and considering the additional capital requirement out of the balance of residential mortgages, the minimum Tier I equity ratio required of the Bank as of the reporting date is 9.61%, and the minimum total capital ratio required of the Bank as of the reporting date is 12.50% (to which appropriate safety margins would be added).

G. Initial application of new accounting practices with regard to expected credit losses

As from January 1, 2022, the Bank applies the new directives with regard to provisions for credit losses and charged the cumulative effect to retained earnings upon initial application. On December 1, 2020, the Supervisor of Banks issued a circular regarding "Supervisory capital – Effect of implementation of accounting principles with respect to expected credit losses", which included, *inter alia*, an update to Proper Conduct of Banking Business Directive 299, stipulating that if, due to initial application of these rules, upon the date when a banking corporation should initially apply these rules, the banking corporation's Tier I equity should decrease, then the banking corporation may partially include in Tier I equity (i.e. add back to Tier I equity) the decrease in Tier I equity recorded upon initial application, over three years (hereinafter: "transition period").

For more information about the effect of initial application, see Note 1.C.1. above.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

H. The standard approach for calculation of counter-party credit risk exposure (SA-CCR)

In March 2014, the Basel Committee on Bank Supervision issued updates to the Basel III directives, including a new directive with regard to "Standard approach for calculation of counter-party credit risk exposure (SA-CCR)".

On December 1, 2021, the Supervisor of Banks issued a circular revising Proper Conduct of Banking Business Directives which include, inter alia, addition of Proper Conduct of Banking Business Directive 203A regarding "Handling counter-party credit risk in conformity with SA-CCR", which replaces the current approaches in Directive 203 for calculation of counter-party exposure upon default. In conformity with the circular, the Directive applies as from July 1, 2022.

The Bank is preparing to implement the directive. Bank management assumes that application of the Directive should result in increase in risk assets of the Bank.

I. Leverage ratio

On April 28, 2015, the Supervisor of Banks issued a new Proper Conduct of Banking Business Directive 218 concerning "Leverage ratio". This directive adopts the Basel Committee recommendations with regard to leverage ratio, stipulated in January 2014.

The leverage ratio is reflected in percent, defined as the ratio of Tier I capital according to Basel rules to total exposure. Total exposure for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items.

According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.

On November 15, 2020, the Supervisor of Banks issued a circular regarding "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)", updating Proper Conduct of Banking Business Directive 250, whereby the leverage ratio shall be at least 4.5% on consolidated basis, compared to 5% prior to this change. In conformity with circulars issued March 22, 2021, September 30, 2021 and May 15, 2022, the Directive was extended and applies from issue date thereof through December 31, 2023. After expiration of the Directive, the relief shall remain in effect for a further 24 months, provided that the leverage ratio would be no less than the leverage ratio upon expiration of the Directive, or the minimum leverage ratio applicable to the banking corporation prior to the Interim Directive, whichever is lower.

On May 15, 2022, the Supervisor of Banks issued another circular, whereby this relief shall apply through June 30, 2024, provided that the leverage ratio would be no less than the leverage ratio as of December 31, 2023, or the minimum leverage ratio applicable to the banking corporation prior to the Interim Directive, whichever is lower.

J. For more information about directives and instructions by the Supervisor of Banks with regard to capital adequacy, see Note 25 to the financial statements as of December 31, 2021.

Note 10 - Contingent Liabilities and Special Commitments

Reported amounts (NIS in millions)

A. Other liabilities and special commitments

	March 31		December 31
	2022	2021	2021
		(Unaudited)	(Audited)
1. Computerization and software service contracts	413	642	382
2. Acquisition and renovation of buildings	18	17	16

3. Credit sales operations

The following table provides a summary of credit sales operations at the Bank:

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
		(Unaudited)	(Audited)
Carrying amount of credit sold	-	-	234
Consideration received in cash	-	-	234
Consideration received in securities	-	-	-
Total consideration	-	-	234
Total net gain with respect to credit sold	-	-	-

Note 10 – Contingent Liabilities and Special Commitments – continued

B. Contingent liabilities and other commitments

1. For more information about contingent liabilities and other commitments by the Bank Group, see Note 26 to the 2021 financial statements. Below is a description of material changes from the Note included in the 2021 financial statements.

2. Various claims are pending against the Bank and its subsidiaries, namely, claims of customers, as well as motions for recognition of various class actions. In the estimation of the management of the Bank, based on the estimation of the managements of its subsidiaries and on the opinion of their legal counsel as to the possible outcome of the pending claims (for claims brought against the Bank) and motions for approval of claims as class actions, the financial statements include appropriate provisions, where necessary, to cover possible damages.

   Below are details of significant claims, including motions for approval of class action status and claims in which the amount claimed (excluding interest and fees) exceeds 1% of Bank equity which had developments and changes from the description in the 2021 financial statements:

   A) In February 2016, a claim and application for class action status was filed with the Tel Aviv District Court against the Bank and against Bank HaPoalim Ltd., Bank Leumi Le-Israel Ltd., Bank Discount Le-Israel Ltd. and First International Bank of Israel Ltd. (hereinafter: "the Defendants"). The plaintiff set the claim amount for all defendant Banks, jointly and severally, at NIS 219 million. The motion concerns alleged discrimination in providing service to student groups by age, allegedly in violation of the Prohibition of Discrimination in Products, Services and in Access to Entertainment Venues and to Public Venues Law, 2000 (hereinafter: "the Non-Discrimination Law") and the Banking Law (Customer Service), 1981 (hereinafter: "the Banking Law").

      The plaintiff alleges that this is the overall policy of all defendants, with a decision made to eliminate the "non-young" population from the benefit program. The plaintiff asks, in conformity with the Class Actions Law, for the claim to be filed on behalf of all students discriminated against due to their age, by comparison to younger students, who were precluded from receiving student benefits from the defendants in the past seven years (for causes pursuant to the Banking Law or as from July 15, 2014 (pursuant to the amendment to the Non-Discrimination Law). The Bank filed its response to the motion on September 13, 2016 and the plaintiff has filed their response to this response. On October 27, 2016, the plaintiff filed its response to the Bank's response to the motion. On January 25, 2017, a preliminary hearing was held on the motion for approval. An evidentiary hearing set for September 2017 was canceled after the parties concluded a written agreement. The plaintiff's summation was filed on October 26, 2017 and the Bank's summation was filed on December 21, 2017. The plaintiff filed their response summation, including a motion for removal of annexes enclosed with the banks' summations. The banks filed their response to this motion on January 9, 2018 and on September 26, 2019 a verdict was handed down, rejecting the motion for class action status and erasing the personal claim. On November 4, 2019, the plaintiff appealed the denial of the motion to the Supreme Court. The parties have filed their summations. On June 2, 2021, a Supreme Court hearing was held and a verdict on this appeal has yet to be handed down.

   B) In May 2016, a lawsuit was filed against the Bank with the Tel Aviv Yafo District Court, along with a motion for class action status, amounting to NIS 220 million. The lawsuit alleges unlawful over-charging of commissions to clients eligible to be classified as a small business, in breach of the Bank's duties in its relations with clients.

      The plaintiff claims that the Bank has not disclosed to clients who manage a small business that they are eligible for the lower commission schedule of a "small business", in order to foil the commission reform and to charge small businesses commissions other than according to the small business tariff, allegedly resulting in unlawful gain at their expense.

      The Bank filed its response to the motion on November 1, 2016 and the plaintiff filed their response to the Bank's response on November 30, 2016.

      On April 23, 2017, a preliminary hearing took place and resolutions were handed down with regard to questions and document discovery; the parties are to comply with these by May 23, 2017. Given the plaintiff's notice of their intention to file a motion to consolidate the hearing of this motion with a hearing of 5 other motions for class action status in lawsuits filed on the same matter, on June 22, 2017 the Bank filed a motion with the Court seeking a stay of proceedings in this lawsuit, including preliminary discovery proceedings, pending a ruling by the Supreme Court on the motion for consolidation. On June 28, 2017, a motion was filed with the Supreme Court to combine the hearing of this case with the five other motions; The Bank filed its response to the motion on July 10, 2017; On July 20, 2017, the Court ruled and rejected the motion to combine all of these cases. As directed by the Supreme Court, a motion was filed to consolidate the hearing of the motions for approval to the District Court. On January 21, 2018 the motion for consolidation was heard.

Note 10 – Contingent Liabilities and Special Commitments – continued

On April 17, 2018, a resolution was handed down combining the hearing of this motion with 5 other motions filed against 5 other banks. Consequently, a pre-trial hearing of all these motions was scheduled for December 19, 2018. At this hearing, the Court discussed a motion by the Bank to erase sections from the plaintiff's response, as well as a motion by the plaintiff to erase the Bank's response to the motion for approval, citing alleged breach of a prior resolution with regard to document discovery.

On November 28, 2019, the Court handed down a ruling on the pre-trial motions, rejecting the motion by the plaintiff to erase the Bank's response. The plaintiff has filed a motion to appeal with the Supreme Court the ruling rejecting their discovery motion, and a resolution on this matter is still pending. As ruled by the Court, on May 17, 2020 the Bank filed its response to the plaintiff's response to the Bank's response to the motion for approval. A pre-trial hearing was held on April 6, 2021 and dates for evidentiary hearings were scheduled for March 2023. Concurrently, on July 19, 2021, the Court handed down a resolution which proposed that the parties conduct a mediation proceeding prior to the scheduled evidentiary hearing, and the parties accepted the Court's proposal. On November 24, 2021, a mediation meeting took place which was un-successful. On January 3, 2022, the Court handed down its resolution with regard to a request for the opinion of the Supervisor of Banks, allowing either party to provide to the Court three questions which they would like for the Supervisor to refer to in their position statement. Accordingly, on February 8, 2021, a notice was filed on behalf of the banks, listing their proposed questions. On February 13, 2022, the Court ruled, instructing the Supervisor of Banks to provide their opinion with regard to the dispute subject of the motions, and their comments on the questions filed by the parties. On February 16, 2022, the plaintiff filed a motion seeking to disclose Bank information about the percentage of small businesses out of all corporations; The Bank filed its response to the motion on April 14, 2022. The case is scheduled for evidentiary hearing in March 2023.

C) In December 2017, a claim and motion for approval of class action status was filed with the Central District Court in Lod amounting to NIS 124 million. The claim involves setting of the interest rate on residential mortgages bearing adjustable interest – bonds. The plaintiffs allege that the Bank issues an approval in principle to the client, listing the debenture base as the only mechanism for interest calculation in the adjustable interest track – bonds for the term of the loan. However, the loan agreement includes another mechanism titled "Emergency Protection Mechanism" for setting the interest rate, in addition to the original mechanism, without providing proper disclosure. It was further alleged that the condition specified by the Bank in the agreement for activation of the emergency defensive provision is unfair and provides the Bank with an unreasonable advantage over the clients.

the Bank filed its response on July 25, 2018. The plaintiff filed its response to the Bank's response on January 6, 2019.

On February 27, 2019, a pre-trial hearing took place in the motion for approval, after which the Court recommended that the parties seek mediation to tr and resolve their dispute by mutual agreement. As proposed by the Court, the parties have started a mediation process.

On January 18, 2022, the parties filed a motion with the Court seeking approval of a settlement agreement, announcing that following the mediation proceeding, the parties have reached a settlement agreement in the motion for approval of this lawsuit. On February 3, 2022, the Court gave its comments on the settlement agreement. The revisions to the settlement agreement as requested by the Court were made and submitted. On April 17, 2022, a resolution was issued with regard to publishing a notice of the motion filed for approval of the settlement agreement. On May 12, 2022, the notice was duly published.

D) In September 2018, a lawsuit and motion for class action status was filed with the Tel Aviv District Court, in the amount of NIS 180 million (estimated).

The motion alleges over-charging of commission upon early repayment of residential mortgages consisting of multiple tracks, some of which have generated positive capitalization differences and some of which have generated negative capitalization differences, where the Bank fails to offset the capitalization differences of the different tracks against each other, allegedly in contravention of provisions of the Banking Ordinance (Early repayment of residential mortgage), 2002.

The plaintiff seeks a ruling, pursuant to the Class Action Lawsuit Law, whereby the lawsuit would be filed on behalf of all Bank clients who have and/or would repay a mortgage by full or partial early repayment and one of their tracks generated a negative capitalization balance not offset against the early repayment fee, as stipulated by law. In March 2019, the plaintiff's attorney announced that they were considering replacing the expert opinion enclosed with the motion for approval with an opinion from another expert. Consequently, the deadline for filing the Bank's response to the motion was postponed by agreement to April 29, 2019. Due to disagreement on the text of the opinion, the filing of the response will be delayed pending a motion by the plaintiff to amend the motion for approval.

Note 10 – Contingent Liabilities and Special Commitments – continued

On June 3, 2019, the litigation agreement reached by the parties was approved; Accordingly, the Bank filed its response to the motion for approval on October 29, 2019; The plaintiff filed their response to the Bank's response on January 1, 2020. On January 5, 2020, a pre-trial hearing took place in this case, at which the Court ruled that it would await further claims to be formulated by the parties, including with regard to a combined hearing with similar motions filed on the same matter. On March 16, 2020, the plaintiff filed a motion for document discovery. On August 10, 2020, the Bank filed its response to the motion for discovery, and the plaintiff has filed their response to the Bank's response. On September 15, 2020, a preliminary hearing took place at which the parties were required to file their position by October 25, 2020 as to whether the motion for approval may be ruled upon based on the material in the case and written summations; consequently, the Bank has filed its position insisting on conducting an evidentiary proceeding. A preliminary hearing took place on February 9, 2021, after which a resolution was handed down accepting the Bank's position and setting dates for evidentiary hearings. The evidentiary hearing scheduled for July 20, 2021 was postponed due to mediation efforts between the parties. The parties held multiple mediation meetings, most recently on April 7, 2022. This mediation proceeding has yet to be completed.

E) In December 2018, a claim and motion for class action status was filed with the Tel-Aviv District Court, in the total amount of NIS 280 million, against the Bank, Bank Leumi, Bank HaPoalim, Bank Discount and against insurance companies Harel, HaPhoenix and Menorah, alleging unlawful over-charging of insurance premium for superfluous insurance policies issued to the building owner, even though at the time of their issue, the same or another insurance company already had issued insurance policies covering the same building for the same period.

The plaintiffs set the total damage, jointly and severally, at NIS 280 million. They claim that the damage with respect to each bank, should the defendants seek proportionate liability, is based on their market shares – with at least half of the damage to be attributed to the banks and the remainder – to the insurers.

The Bank filed its response to the motion for approval on June 10, 2019 and the plaintiff filed their response to the Bank's response on March 5, 2020. On February 16, 2021, a preliminary hearing took place, at which the Court highlighted the challenges in the motion and in combining defendants of two types (insurance companies and banks), and instructed the plaintiffs to state, by May 2, 2021, how they intend to continue with the motion for approval and against which defendants. The plaintiffs informed the Court that they were in discussions with some of the defendants in this case, and asked for an extension to provide the update. The plaintiffs must file their position by August 1, 2021. The Court accepted the plaintiffs' motion for an extension for discussions with some of the defendants, through October 30, 2021. Such update notices were filed on October 31, 2021 and on December 31, 2021, wherein the plaintiff announced that they continued to be in discussions with defendants (other than banks), and asked for a further 30-day extension to conclude these discussions. The Court accepted the request made by the parties. Accordingly, the plaintiffs should file their position by January 31, 2022. On February 7, 2022, the Court ruled that the plaintiffs should refer in the update notice to all defendants (due to notices filed by some insurers with whom no negotiations are being conducted). Consequently, on February 13, 2022 the plaintiffs filed their own statement. On March 23, 2022, a hearing took place and evidentiary hearings were scheduled for July 2022.

F) In May 2020, a motion for approval of class action status was filed with the Tel Aviv District Court, alleging breach of duty of confidentiality, by the Bank providing various identifiable information to international information corporations, and in particular to Facebook, allowing them to gather private information about Bank clients, allegedly in breach of provisions of the Privacy Protection Law, 1981 and other statutes, without providing required disclosure to Bank clients and without obtaining their consent. The plaintiff alleges that the Bank uses third-party tools, such as those of Facebook and Google, to monitor its clients when transacting on Bank web sites and apps, in order to conduct advertising campaigns, while these corporations process the information provided about the clients for their own needs, with no disclosure provided with regard to the purposes for which such information is being gathered and what information exactly is being gathered, other than a "legal disclaimer" on the Bank website which, the plaintiff alleges, is deficient and may not be regarded as consent. The plaintiff further alleges that all conditions listed in Bank documents, allowing the Bank to provide information about its clients to third parties, including the "legal disclaimer", constitute unfair conditions in a uniform contract. The plaintiff allegedly is unable to quantify the total damage to the class. The Bank filed its response to the motion for approval on March 1, 2021. On June 27, 2021, the plaintiff filed their response to the Bank's response to the motion for approval of class action status. On July 15, 2021, a consolidated hearing of this motion and a motion filed in the same matter against other banks took place, after which deadlines were set for filing withdrawal motions with regard to changes to and expansion of the front of the plaintiff's response and responses there to. Therefore, on August 30, 2021, the Bank filed a motion to dismiss parts of the plaintiff's response to the Bank's response to the motion for approval. On November 29, 2021, the plaintiff filed their response to the motion to dismiss, and on December 9, 2021, the Bank filed its response to the plaintiff's response. In conformity with the resolution by the Court, the lawsuits would be referred to the Supervisor of Banks for comments after a resolution will have been given in the motion to withdraw. Such resolution has yet to be given.

Note 10 – Contingent Liabilities and Special Commitments – continued

G) In April 2021, a motion for class action status was filed with the Tel Aviv District Court, against the Bank and 14 other defendants (other banks and financial institutions, hereinafter: "the defendants"), alleging transfer of private information to third parties while browsing the "Personal Zone" on websites and apps operated by the defendants, allegedly in violation of privacy and allegedly in breach of provisions of the Privacy Protection Law, Banking Rules and multiple other obligations imposed on the defendants.

The plaintiffs allege that the Personal Zone includes private, confidential information which is provided to third parties without express consent of the clients – and in particular to Google and its advertising service. This is done, *inter alia*, in conjunction with the Bank's use of Google's Google Analytics service. The plaintiff did not state the class damage amount. However, they estimate that monetary and non-monetary damage incurred by each class member amounts to NIS 2,000.

On April 18, 2022, an extension was granted for filing the Bank's response (and that of the other defendants) to the motion for approval, no later than May 30, 2022.

H) In September 2021, the Bank received a motion for approval of class action status, filed at the Central District Court in Lod, against the Bank and four other banks, alleging publication, presentation, setting or charging commissions in foreign currency, in alleged violation of the law, rather than in NIS, and that the banks collect these fees in NIS base on high conversion rates. of NIS to foreign currency.

The plaintiffs allege that bank price lists include various bank services for which commissions are denominated in foreign currency rather than in NIS, for services which have not been authorized to publish or charge commissions in foreign currency, across the board – even for clients who have no accounts in foreign currency. The plaintiffs further allege that the defendants collect these commissions with notional conversion of NIS to foreign currency at conversion rates higher than the official conversion rates published by the Bank of Israel.

The plaintiffs seek a determination, whereby the lawsuit would be filed in the name of any or all clients of the defendants, who have received bank services from the defendants, including third parties, and have been charged, directly or indirectly, a commission or expense that has been published, presented or set on the price list in a currency other than NIS (except for the three services set in USD on the complete price list, or for clients who have a foreign currency account).

The plaintiffs note that they are unable to accurately estimate the total damage to class members.

Even prior to the deadline for filing the Bank's response, on January 2, 2022, a hearing was held in this motion for approval, consolidated for hearing purposes with another motion alleging the opposite, whereby when a fee is specified in USD on the Bank price list, the Bank should charge it in USD rather than in NIS. At the conclusion of this hearing, the parties agreed for the plaintiffs to announce their withdrawal of the motion and to commit for the plaintiffs and anyone on behalf thereof not to file it again, with the plaintiffs charged for expenses.

In conformity with the resolution, on March 22, 2022 the agreed motion to withdraw was filed. On May 9, 2022, a verdict was given confirming the motion to withdraw and charging expenses to the plaintiffs.

For all claims against the Bank Group in individual amounts over NIS 2 million, excluding claims listed in section 10 above, there is additional, non-remote exposure for which no provision was made, amounting to NIS 74 million.

3) There are pending motions for class action status against the Bank and subsidiaries thereof with a material claimed amount, as set forth below, which Bank management assumes, based on the opinion of legal counsel, that upon compiling the financial statements cannot be evaluated in terms of likelihood to prevail, and therefore no provision has been made with respect to these proceedings.

a) In February 2022, the Bank received a motion for class action status, filed with the Jerusalem District Court against the Bank and 9 other banks and against 2 private companies that operate, independently or by franchise, non-bank ATMs ("the motion").
The motion concerns cash withdrawals from client accounts at the defendant banks, made through non-banking ATMs operated by public companies.
The motion alleges, *inter alia*, that banks charge their clients an additional commission without full disclosure and allegedly unlawfully, for cash withdrawals made through private / non-banking ATMs, in addition to the commission paid to the private companies that operate these ATMs.
It is further alleged that these actions are in violation of the banks' statutory obligation to provide proper service to all clients, including those in areas where the bank branch had been closed (for the Bank, the motion noted that the Bank does not act to close branches); the scope of deployment of bank ATMs does not provide a solution for the entire population and for all bank clients. The damage to the class, according to the motion, was set at NIS 458 million in total against all defendants, with the plaintiff allowing the Court discretion in allocating liability among the defendants. The Bank and all other defendants should file their response to the motion for approval no later than July 1, 2022. A pre-trial hearing of this motion has yet to be scheduled.

Note 10 – Contingent Liabilities and Special Commitments – continued

b) In April 2022, the Bank received a motion for class action status, filed against the Bank with the Tel Aviv Yafo District Court. The motion alleges unlawful charging of a file opening commission upon loan origination, with this commission being "disguised interest", in breach of the Fair Credit Law, 1993 and in violation of provisions of Regulation 3 of the Non-bank Loan Regulations (Exclusion of credit transaction types from the scope of the act and exclusion of expenses from the scope of "addition"), 2019. The Bank has yet to file its response.

4) Motions for class action status and a motion for approval of a derivative claim are pending against the Bank and subsidiaries thereof, as follows:

A) In September 2020, a motion for approval of a derivative lawsuit was filed with the Tel Aviv District Court by a shareholder on behalf of the Company for Economic and Cultural Enterprises for State Employees Ltd. ("Economic Enterprises Company") and on behalf of Bank Yahav for Government Employees Ltd. ("Bank Yahav") against Bank Yahav, the Bank, Board members of the Economic Enterprises Company and of Bank Yahav, including officers of the Bank.

The plaintiff alleges that Bank Yahav and the Economic Enterprises Company incurred damage due to credit extended by Bank Yahav to the Bank, by way of deposits with the Bank, allegedly in violation of the Law and in breach of fiduciary and care duties of the defendants towards Bank Yahav and towards the Economic Enterprises Company.

The claimed damage for Bank Yahav is over NIS 1 billion. Bank Yahav's response to the motion was filed on April 29, 2021 and the Bank's response was filed on May 3, 2021. The plaintiffs filed their responses to the motion on August 8, 2021. On December 26, 2021, a pre-trial hearing took place. After this hearing, it was stipulated that prior to setting a date for hearing the actual motion, this case would be referred to internal reminder on February 15, 2022, and should there by no open motions on said date, an evidentiary hearing would be scheduled. The case was assigned to a new judging forum, and on March 21, 2022 the parties were instructed to schedule dates for May or June 2022. On March 23, 2022, the plaintiff filed a motion for document discovery. Concurrently, the plaintiff petitioned the Court to consider the time required for ruling on the motion, as part of scheduling the evidentiary hearing. No resolutions have been issued in this case.

B) On December 12, 2016, a motion was filed with the Tel Aviv District Court, seeking a document discovery order pursuant to provisions of Section 198a of the Companies' Law, 1999 (hereinafter: "Motion for discovery"), asking for Union Bank ("Union Bank") to be instructed to disclose documents with regard to credit extended by the bank to the client and to others whose debt is personally guaranteed by the client ("the credit"). The motion alleges that members of the Board of Directors and of the Credit Committee of Union Bank have allowed the client to accumulate enormous debt, amounting to NIS 270 million, allegedly without doing their duty to collect such debt when due.

After various proceedings, on August 6, 2017 the Court approved a litigation agreement whereby proceedings in this case would be delayed, so as to allow the independent claim committee, which the Union Bank Board of Directors resolved to establish, to discuss this matter and for the Board of Directors to discuss the committee's recommendations. The independent committee has completed its work and made recommendations which are being considered by the Union Bank Board of Directors. In conformity with the litigation agreement between the parties, the content of the Board of Directors' resolution passed in said discussion was provided to the plaintiff's attorney. The parties have entered into a mediation proceeding which proved unsuccessful. Therefore, on September 25, 2019, a motion was filed for approval of a derivative lawsuit ("the motion") against 20 individual defendants who, allegedly, serve or have served as Board members of Union Bank. The motion concerns, allegedly, loans extended to the client in 2004-2008, with no collateral or with collateral that only partially covers his debt, with negligent discretion exercised and apparent indifference to the outcome from such matters. It further alleged that Union Bank and officers took no action to recover Union Bank's money. The plaintiff seeks to charge the defendants for the damage they have allegedly caused by their negligence, amounting to NIS 125 million, taking into account the receipts to be collected in the client's insolvency proceedings. Concurrently, the plaintiff also filed a motion to reject the motion for document discovery and review. On October 28, 2019, the Court ordered this motion to be rejected.

By consensus request by the parties, on December 12, 2019 the Court ordered Union Bank to be added as co-defendant to the motion for approval of class action status. On May 24, 2020, Union Bank filed their response to the motion for approval of a derivative lawsuit. On May 25, 2020, the Court accepted the motion by Union Bank and issued a temporary confidentiality injunction, pending a different ruling, with regard to confidentiality of Union Bank's response to the motion towards third parties.

Note 10 – Contingent Liabilities and Special Commitments – continued

On July 29, 2020, a motion was filed on behalf of Globes newspaper and others, to remove the temporary confidentiality injunction, thereby allowing unlimited review and disclosure of documents enclosed with the Bank's response to the motion for approval of a derivative lawsuit. On August 10, 2020, a pre-trial hearing took place, after which the Court ruled, denying the motion for confidentiality, both for Court proceedings and for Court documents, allowing Globes to review these documents. On September 21, Union Bank filed a motion for right to appeal this ruling. On January 19, 2021, the Supreme Court rejected the motion for right to appeal filed by Union Bank and adopted the agreement whereby Union Bank would be given time to inform the Court that certain information constitutes trade secrets – with reference both to information regarding the client's privacy and the independent committee's report, in conformity with the Court ruling dated February 1, 2021. The Bank must file such notice by February 16, 2021.

The Court approved the parties' consent to delay the hearing scheduled for January 13, 2021, in order to allow for negotiation between the Bank and insurers and other potential defendants, in conformity with the resolution dated December 31, 2020 by the Union Bank Board of Directors.

On February 18, 2021 the District Court accepted the motion filed by the Marker newspaper of HaAretz Newspaper Group Ltd. ("The Marker") and others filed a motion for injunction to review documents in the Court case and to join the proceeding with regard to the motion for confidentiality, allowing them to make claims with regard to "document redaction".

On April 8, 2021, a hearing took place at which Union Bank provided an update to the Court on negotiations between the Bank and insurers and other potential defendants. At the end of this hearing, the Court ruled that by May 19, 2021, the defendants shall conclude the negotiations and inform the Court and the other party of the outcome thereof. The defendants should also consider including the plaintiff in the negotiations stage. In conformity with resolution, on May 19, 2021, Union Bank filed a notice whereby the negotiations have yet to be concluded and asking for a further 30-day extension. The Court granted the motion by Union Bank and ordered the update to be filed no later than June 20, 2021. On June 22, 2021, the Court granted the motion by Union Bank seeking a similar extension. On July 21, 2021, Union Bank filed an update motion, whereby the negotiations between the parties were in the final stages and asked for a further extension to conclude negotiations by September 9, 2021; the plaintiff filed their response. On July 23, 2021, the Court partially granted the Bank's motion and ordered a further update with regard to the negotiations to be filed no later than September 1, 2021. In conformity with the resolution, Union Bank has filed a update notice seeking the Court to allow the Bank to make further progress on the settlement, and to file a further update notice with regard to negotiations by the parties, no later than November 3, 2021. On October 4, 2021, the Court allowed the motion by Union Bank to provide an extension for an update, and instructed the parties to agree on dates for evidentiary hearings. On October 6, 2021, the Court handed down its ruling, scheduling the evidentiary hearing on March 22, 2022. Should there be any development in the parties' settlement negotiations – the parties should inform the Court of such progress. On March 28, 2022, the Union Bank Board of Directors, convened in an un-tainted forum, resolved to approve signing by the Bank of a settlement agreement reached with the officers and insurers of the Board member and officer liability insurance policy; This agreement was filed for approval by the Court. On April 17, 2022, the Court ruled on the motion for approval of the settlement agreement; The Court allowed the plaintiff, even prior to discussing the approval of the settlement agreement, to consider whether they may join this agreement. Therefore, the parties were asked to file a joint notice, no later than May 2, 2022, stating whether or not they had reached agreement with regard to the arrangement and approval proceedings thereof. Should agreement not be reached, the plaintiff may file their comments on litigation aspects of the motion for approval, no later than May 9, 2022. In conformity with this resolution, Union Bank filed a notice stating that no agreement has been reached with the plaintiff with regard to the arrangement and approval proceedings thereof. In conformity with the Court ruling. on May 12, 2022. the plaintiff filed their response to litigation aspects of the motion for approval of the settlement agreement. On May 16, 2022, the Court ruled, allowing the Attorney General to submit their comments no later than June 6, 2022. The Court also clarified that a hearing would take place, in any case, prior to making the settlement agreement public.

On May 10, 2022, a shareholder of Bank Mizrahi Tefahot Ltd. filed a motion in this case, seeking the right to view the Court case. In conformity with the Court ruling, Union Bank filed their response to the motion on May 17, 2022, and a ruling is still pending.

Note 10 – Contingent Liabilities and Special Commitments – continued

C. Guarantees by maturity date

The Bank provides a wide range of guarantees and indemnification to its clients, to allow them to conduct a wide range of transactions. The maximum amount of potential future payments is determined based on the amount stated in the guarantee, without accounting for any potential refunds or collateral helped or pledged. Most guarantees at the Bank are rated by credit performance rating.

The following are guarantees issued by the Bank, by maturity date:

	As of March 31, 2022				
	Expiring in 12 months or sooner	**Expiring in 1 to 3 years**	**Expiring in 3 to 5 years**	**Expiring in over 5 years**	**Total**
Loan guarantees	2,527	494	117	158	3,296
Guarantees to home buyers	10,563	4,891	677	1,535	17,666
Guarantees and other commitments	4,745	1,714	188	4,352	10,999
Commitments to issue guarantees	2,538	5,800	1,409	-	9,747
Total guarantees	**20,373**	**12,899**	**2,391**	**6,045**	**41,708**

	As of March 31, 2021				
	Expiring in 12 months or sooner	**Expiring in 1 to 3 years**	**Expiring in 3 to 5 years**	**Expiring in over 5 years**	**Total**
Loan guarantees	2,374	458	88	218	3,138
Guarantees to home buyers	8,003	2,323	251	1,369	11,946
Guarantees and other commitments	4,007	1,349	87	3,587	9,030
Commitments to issue guarantees	4,962	4,601	2,131	81	11,775
Total guarantees	**19,346**	**8,731**	**2,557**	**5,255**	**35,889**

	As of December 31, 2021				
	Expiring in 12 months or sooner	**Expiring in 1 to 3 years**	**Expiring in 3 to 5 years**	**Expiring in over 5 years**	**Total**
Loan guarantees	2,177	527	111	506	3,321
Guarantees to home buyers	10,699	3,796	534	1,553	16,582
Guarantees and other commitments	4,137	1,278	435	4,721	10,571
Commitments to issue guarantees	2,480	5,691	1,142	38	9,351
Total guarantees	**19,493**	**11,292**	**2,222**	**6,818**	**39,825**

Note 11 – Derivative instruments and hedging activities

Reported amounts (NIS in millions)

A) Activity on consolidated basis

	March 31, 2022			March 31, 2021		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
1. Stated amounts of derivative instruments						
Interest contracts						
Forward contracts	830	400	1,230	1,424	-	1,424
Options written	-	-	-	-	35	35
Options purchased	-	-	-	-	76	76
Swaps[(1)]	28,609	25,456	54,065	23,122	35,778	58,900
Total[(2)]	**29,439**	**25,856**	**55,295**	**24,546**	**35,889**	**60,435**
Of which: Hedging derivatives[(3)]	**3,750**	**-**	**3,750**	**4,001**	**-**	**4,001**
Currency contracts						
Forward contracts[(4)(6)]	68,374	99,478	167,852	64,226	95,771	159,997
Options written	-	14,365	14,365	3,523	17,729	21,252
Options purchased	-	14,430	14,430	3,886	18,484	22,370
Swaps	1,282	990	2,272	1,716	1,443	3,159
Total	**69,656**	**129,263**	**198,919**	**73,351**	**133,427**	**206,778**
Of which: Hedging derivatives[(3)]	**-**	**-**	**-**	**-**	**-**	**-**
Contracts for shares						
Options written	126	30,693	30,819	281	[(7)]24,318	24,599
Options purchased[(5)]	16	30,390	30,406	9	[(7)]24,229	24,238
Swaps	-	841	841	-	2,500	2,500
Total	**142**	**61,924**	**62,066**	**290**	**51,047**	**51,337**
Commodities and other contracts						
Forward contracts	-	4	4	-	15	15
Options written	-	84	84	-	[(7)]92	92
Options purchased	-	84	84	-	[(7)]90	90
Total	**-**	**172**	**172**	**-**	**197**	**197**
Credit contracts						
Bank is guarantor	254	-	254	267	-	267
Bank is beneficiary	75	-	75	108	-	108
Total	**329**	**-**	**329**	**375**	**-**	**375**
Total stated amount	**99,566**	**217,215**	**316,781**	**98,562**	**220,560**	**319,122**

(1) Includes swaps where the banking corporation pays a fixed interest rate amounting to NIS 32,735 million (as of March 31, 2021: NIS 33,980 million)

(2) Of which: NIS/CPI swaps amounting to NIS 6,860 million (as of March 31, 2021: NIS 7,508 million)

(3) The Bank conducts fair value hedging and cash flow hedging through interest rate swap contracts and NIS/CPI swap contracts, respectively.

(4) Of which: NIS/CPI swaps amounting to NIS 8,525 million (as of March 31, 2021: NIS 4,301 million)

(5) Of which: Traded on the Stock Exchange, amounting to NIS 30,694 million (as of March 31, 2021: NIS 11,417 million)

(6) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

(7) Re-classified

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

a) Activity on consolidated basis – continued

	December 31, 2021		
	Derivatives not held for trading	Derivatives held for trading	Total
1. Stated amounts of derivative instruments			
Interest contracts			
Forward contracts	929	-	929
Options written	-	-	-
Options purchased	-	-	-
Swaps(1)	28,571	22,422	50,993
Total(2)	**29,500**	**22,422**	**51,922**
Of which: Hedging derivatives(3)	**3,921**	**-**	**3,921**
Currency contracts			
Forward contracts(4)(6)	58,002	99,090	157,092
Options written	190	14,748	14,938
Options purchased	217	14,349	14,566
Swaps	1,352	1,191	2,543
Total	**59,761**	**129,378**	**189,139**
Of which: Hedging derivatives(3)	**-**	**-**	**-**
Contracts for shares			
Options written	473	32,089	32,562
Options purchased(5)	18	31,908	31,926
Swaps	-	791	791
Total	**491**	**64,788**	**65,279**
Commodities and other contracts			
Forward contracts	-	1	1
Options written	-	28	28
Options purchased	-	28	28
Total	**-**	**57**	**57**
Credit contracts			
Bank is guarantor	249	-	249
Bank is beneficiary	81	-	81
Total	**330**	**-**	**330**
Total stated amount	**90,082**	**216,645**	**306,727**

(1) Of which: seaps where the banking corporation pays a fixed interest, amounting to NIS 31,953 million.
(2) Of which: NIS/CPI swaps amounting to NIS 7,086 million.
(3) The Bank conducts fair value hedging and cash flow hedging through interest rate swap contracts and NIS/CPI swap contracts, respectively.
(4) Of which: Foreign currency spot swaps amounting to NIS 5,799 million.
(5) Of which: Traded on the stock exchange, amounting to NIS 31,907 million.
(6) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

a) Activity on consolidated basis – continued

	March 31, 2022					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	518	318	836	577	348	925
Of which: Hedging derivatives	63	-	63	91	-	91
Currency contracts(1)	180	1,755	1,935	144	1,651	1,795
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	-	586	586	10	210	220
Commodities and other contracts	-	2	2	-	2	2
Credit contracts	2	-	2	7	-	7
Total assets / liabilities with respect to derivatives, gross(2)	**700**	**2,661**	**3,361**	**738**	**2,211**	**2,949**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**700**	**2,661**	**3,361**	**738**	**2,211**	**2,949**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	96	768	864	50	818	868

	March 31, 2021					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	439	437	876	580	495	1,075
Of which: Hedging derivatives	79	-	79	116	-	116
Currency contracts(1)	517	1,810	2,327	281	1,563	1,844
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	-	442	442	5	245	250
Commodities and other contracts	-	1	1	-	1	1
Credit contracts	6	-	6	6	-	6
Total assets / liabilities with respect to derivatives, gross(2)	**962**	**2,690**	**3,652**	**872**	**2,304**	**3,176**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**962**	**2,690**	**3,652**	**872**	**2,304**	**3,176**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	80	571	651	85	438	523

(1) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

(2) Of which: Gross fair value of assets with respect to embedded derivative instruments amounting to NIS 8 million (as of March 31, 2021: NIS 9 million). Fair value of liabilities with respect to embedded derivative instruments amounting to NIS 9 million (as of March 31, 2021: NIS 4 million).

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

a) Activity on consolidated basis – continued

	December 31, 2021					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	335	266	601	498	299	797
Of which: Hedging derivatives	34	-	34	149	-	149
Currency contracts[(1)]	160	2,183	2,343	214	2,478	2,692
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	-	713	713	-	259	259
Commodities and other contracts	-	-	-	-	-	-
Credit contracts	2	-	2	5	-	5
Total assets / liabilities with respect to derivatives, gross[(2)]	**497**	**3,162**	**3,659**	**717**	**3,036**	**3,753**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**497**	**3,162**	**3,659**	**717**	**3,036**	**3,753**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	88	834	922	57	1,032	1,089

(1) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

(2) Of which: Gross fair value of assets with respect to embedded derivatives amounting to NIS 7 million.

b) Accounting hedges

1. Fair value hedge[(1)]

	For the three months ended March 31, 2022
	Interest revenues (expenses)
Interest contracts	
Hedged items	(105)
Hedging derivatives	101

	Balance as of March 31, 2022	
	Book value	Cumulative fair value adjustments that increased the book value
Securities available for sale	1,742	66

2. Cash flows hedges[(2)]

For the three months ended March 31, 2022	
Amounts recognized in Other Comprehensive Income (loss) from derivatives	Interest revenues (expenses)
(7)	(19)

(1) Reflects amounts included in assessment of hedge effectiveness.

(2) Reflects amounts excluded from assessment of hedge effectiveness, for which the difference between the change in fair value and the periodic write-down is recognized on Other Comprehensive Income (Loss).

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

c) Credit risk on financial derivatives according to counter-party to the contract – Consolidated

	March 31, 2022					
	Stock exchanges	**Banks**	**Dealers/ Brokers**	**Governments and central banks**	**Others**	**Total**
Carrying amount of assets with respect to derivative instruments	**82**	**1,605**	**45**	**14**	**1,615**	**3,361**
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk with respect to financial instruments	-	(1,195)	-	-	(510)	[1](1,705)
Mitigation of credit risk with respect to cash collateral received	-	(247)	-	(6)	(53)	(306)
Net amount of assets with respect to derivative instruments	**82**	**163**	**45**	**8**	**1,052**	**1,350**
Off-balance sheet credit risk on derivative instruments[2]	243	1,025	227	-	1,285	2,780
Mitigation of off-balance sheet credit risk	-	(579)	-	-	(431)	(1,010)
Net off-balance sheet credit risk with respect to derivative instruments	**243**	**446**	**227**	**-**	**854**	**1,770**
Total credit risk on derivative instruments	**325**	**609**	**272**	**8**	**1,906**	**3,120**
Carrying amount of liabilities with respect to derivative instruments	**85**	**1,195**	**45**	**-**	**1,624**	**2,949**
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,195)	-	-	(510)	(1,705)
Pledged cash collateral	-	-	-	-	(59)	(59)
Net amount of liabilities with respect to derivative instruments	**85**	**-**	**45**	**-**	**1,055**	**1,185**

	March 31, 2021					
	Stock exchanges	**Banks**	**Dealers/ Brokers**	**Governments and central banks**	**Others**	**Total**
Carrying amount of assets with respect to derivative instruments	**146**	**1,518**	**43**	**4**	**1,941**	**3,652**
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk with respect to financial instruments	-	(1,342)	-	-	(439)	[1](1,781)
Mitigation of credit risk with respect to cash collateral received	-	(144)	-	-	(70)	(214)
Net amount of assets with respect to derivative instruments	**146**	**32**	**43**	**4**	**1,432**	**1,657**
Off-balance sheet credit risk on derivative instruments[2]	267	1,251	219	-	1,271	3,008
Mitigation of off-balance sheet credit risk	-	(742)	-	-	(331)	(1,073)
Net off-balance sheet credit risk with respect to derivative instruments	**267**	**509**	**219**	**-**	**940**	**1,935**
Total credit risk on derivative instruments	**413**	**541**	**262**	**4**	**2,372**	**3,592**
Carrying amount of liabilities with respect to derivative instruments	**112**	**1,845**	**56**	**17**	**1,146**	**3,176**
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,326)	-	-	(439)	(1,765)
Pledged cash collateral	-	(519)	-	(4)	(206)	(729)
Net amount of liabilities with respect to derivative instruments	**112**	**-**	**56**	**13**	**501**	**682**

(1) This balance consists entirely of derivative instruments subject to offset agreements.

(2) The difference, if positive, between the total amounts with respect to derivative instruments (including with respect to derivative instruments with negative fair value) included under borrower indebtedness, as calculated for restrictions on indebtedness of a borrower, before mitigation of credit risk, and the carrying amount of assets with respect to derivative instruments of the borrower.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

C) Credit risk on financial derivatives according to counter-party to the contract – Consolidated – continued

						December 31, 2021
	Stock exchanges	**Banks**	**Dealers/ Brokers**	**Governments and central banks**	**Others**	**Total**
Carrying amount of assets with respect to derivative instruments	**73**	**1,905**	**77**	**42**	**1,562**	**3,659**
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk with respect to financial instruments	-	(1,132)	-	-	(791)	(1)(1,923)
Mitigation of credit risk with respect to cash collateral received	-	(773)	-	(42)	(195)	(1,010)
Net amount of assets with respect to derivative instruments	**73**	**-**	**77**	**-**	**576**	**726**
Off-balance sheet credit risk on derivative instruments[2]	312	968	142	-	1,175	2,597
Mitigation of off-balance sheet credit risk	-	(661)	-	-	(372)	(1,033)
Net off-balance sheet credit risk with respect to derivative instruments	**312**	**307**	**142**	**-**	**803**	**1,564**
Total credit risk on derivative instruments	**385**	**307**	**219**	**-**	**1,379**	**2,290**
Carrying amount of liabilities with respect to derivative instruments	**74**	**1,150**	**77**	**-**	**2,452**	**3,753**
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,132)	-	-	(791)	(1,923)
Pledged cash collateral	-	(18)	-	-	(329)	(347)
Net amount of liabilities with respect to derivative instruments	**74**	**-**	**77**	**-**	**1,332**	**1,483**

(1) This balance consists entirely of derivative instruments subject to offset agreements.

(2) The difference, if positive, between the total amounts with respect to derivative instruments (including with respect to derivative instruments with negative fair value) included under borrower indebtedness, as calculated for restrictions on indebtedness of a borrower, before mitigation of credit risk, and the carrying amount of assets with respect to derivative instruments of the borrower.

In the first quarter of 2022, the Bank recognized expenses from increase in credit losses with respect to derivative instruments amounting to NIS 1 million (in the first quarter of 2021, the Bank recognized revenues from decrease in credit losses with respect to derivative instruments amounting to NIS 3 million; and in 2021, the Bank recognized revenues from decrease in credit losses amounting to NIS 1 million).

D) Maturity dates – stated amounts: Balances at end of period – Consolidated

					March 31, 2022
	Up to three months	**3 months to 1 year**	**1-5 years**	**Over 5 years**	**Total**
Interest contracts:					
NIS – CPI	612	1,983	3,535	730	6,860
Other	2,516	14,171	19,551	12,197	48,435
Currency contracts	124,414	69,127	5,236	142	198,919
Contracts for shares	60,449	1,411	204	2	62,066
Commodities and other contracts	64	3	434	-	501
Total	**188,055**	**86,695**	**28,960**	**13,071**	**316,781**
					March 31, 2021
Total	**178,662**	**87,097**	**38,117**	**15,246**	**319,122**
					December 31, 2021
Total	**173,645**	**89,761**	**30,396**	**12,925**	**306,727**

Note 12 – Operating Segments

A. Information regarding supervisory operating segments

On November 3, 2014, the Supervisor of Banks issued an update to the Public Reporting Directives concerning supervisory operating segments. According to the directive, the Bank is required to provide, on its financial statements, disclosure with regard to supervisory operating segments in conformity with a uniform, comparable layout specified by the Supervisor of Banks; attribution to supervisory operating segments is typically determined by the turnover volume for clients.

The financial information on the Report of the Board of Directors and Management is included based on definitions of supervisory segments.

In addition, the financial statements include – in Note 12 to the financial statements – disclosure with regard to "Operating segments in conformity with the management approach".

An operating segment in conformity with the management approach is a Bank component with operations which may derive revenues and incur expenses which meet the following criteria:

- Its operating results are regularly reviewed for the purpose of decision making about resource allocation and for performance evaluation.
- Separate financial information is available with regard to it.

In fact, there is a strong correlation between supervisory operating segments and "operating segments in conformity with the management approach" but nevertheless, there are some differences in client attribution to segments and in decision making. Therefore, at this stage, the financial statements also include reporting of operating results in conformity with "the management approach", as noted above.

Supervisory operating segments

Supervisory operating segments include operating segments for individuals and operating segments for other than individuals (including business operating segments, institutional investors and financial management of the Bank).

Individuals are defined as persons with no indebtedness to the Bank or whose indebtedness is classified as indebtedness of "individuals – residential mortgages and others", in conformity with definitions of credit risk classification by economic sector.

Definitions of supervisory operating segments are as follows:

Households – individuals, other than private banking clients, as noted below.

Private banking – individuals who manage a financial asset portfolio in excess of NIS 3 million.

Small and micro businesses – businesses with turnover amounting up to NIS 50 million.

Medium businesses – businesses with turnover higher than NIS 50 million and lower than NIS 250 million.

Large businesses – businesses with turnover higher than NIS 250 million.

Institutional investors – Businesses which own pension funds, study funds, mutual funds, ETFs, insurance companies, stock exchange members, portfolio managers.

Financial management – includes trading operations, asset and liability management and non-banking investments.

Trade operations – Investment in securities held for trading, market making operations for securities, operations involving derivatives not designated as hedges and which are not part of asset and liability management for the Bank, borrowing of securities for trading, short selling of securities, underwriting services for securities.

Asset and liability management – including investment in bonds available for sale and in bonds held to maturity, hedging using derivatives, ALM hedging, deposits with banks and deposits from banks in Israel and overseas, currency hedging of investments overseas, deposits with and from Governments.

Real investments – Investment in shares available for sale and in associated companies of businesses.

Other financial management operations – management, operation, trust and custody services for banks, sale and management of loan portfolios.

The aforementioned operating segments are divided into operations in Israel and operations overseas; operations overseas are presented separately and are divided into operations of individuals and business operations only.

Note 12 – Operating Segments – continued
Supervisory operating segments

For the three months ended March 31, 2022 (Unaudited)

Reported amounts (NIS in millions)

					Operations in Israel	
			Households		Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	1986	381	9	2,367	-	370
Interest expenses from externals	-	221	-	221	65	59
Interest revenues, net from externals	1,986	160	9	2,146	(65)	311
Interest revenues, net – inter-segment	(1,383)	202	(1)	(1,181)	88	46
Total interest revenues (expenses), net	**603**	**362**	**8**	**965**	**23**	**357**
Total non-interest financing revenues	-	-	-	-	-	-
Total commissions and other revenues	36	190	32	226	6	145
Total non-interest revenues	**36**	**190**	**32**	**226**	**6**	**145**
Total revenues	**639**	**552**	**40**	**1,191**	**29**	**502**
Expenses (income) with respect to credit losses	14	5	-	19	(1)	43
Operating and other expenses to externals	225	593	21	818	3	304
Operating and other expenses – inter-segment	-	(42)	(4)	(42)	2	(24)
Total operating and other expenses	**225**	**551**	**17**	**776**	**5**	**280**
Pre-tax profit (loss)	400	(4)	23	396	25	179
Provision for taxes on profit	130	(1)	7	129	8	58
After-tax profit (loss)	**270**	**(3)**	**16**	**267**	**17**	**121**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	270	(3)	16	267	17	121
Net profit attributed to non-controlling interests	-	(11)	-	(11)	-	(1)
Net profit (loss) attributable to shareholders of the banking corporation	**270**	**(14)**	**16**	**256**	**17**	**120**
Average balance of assets	178,567	25,234	3,541	203,801	116	31,338
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	178,567	25,234	3,541	203,801	116	31,338
Balance of loans to the public at end of reported period	182,090	26,861	4,547	208,951	120	32,163
Balance of impaired debts	2,038	59	-	2,097	-	590
Balance of debt in arrears 90 days or longer	-	25	-	25	-	37
Average balance of liabilities	-	123,117	3,541	123,117	21,783	51,707
Of which: Average balance of deposits from the public	-	119,576	-	119,576	21,783	51,707
Balance of deposits from the public at end of reported period	-	119,992	-	119,992	22,048	52,510
Average balance of risk assets(1)	102,781	23,578	4,271	126,359	70	27,966
Balance of risk assets at end of reported period(1)	103,616	23,761	4,271	127,377	65	28,567
Average balance of assets under management(2)	7,874	59,535	-	67,409	6,126	40,865
Breakdown of interest revenues, net:						
Margin from credit granting operations	578	243	7	821	1	308
Margin from activities of receiving deposits	-	117	-	117	21	36
Other	25	2	1	27	1	13
Total interest revenues, net	**603**	**362**	**8**	**965**	**23**	**357**

(1) Risk assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

(2) Assets under management – includes clients' provident funds, study funds, mutual funds and securities.

						Operations overseas	Total
	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
	108	162	13	64	3,084	60	3,144
	19	64	106	463	997	3	1,000
	89	98	(93)	(399)	2,087	57	2,144
	4	57	127	862	3	(3)	-
	93	**155**	**34**	**463**	**2,090**	**54**	**2,144**
	-	1	-	115	116	1	117
	26	56	15	473	947	5	952
	26	**57**	**15**	**588**	**1,063**	**6**	**1,069**
	119	**212**	**49**	**1,051**	**3,153**	**60**	**3,213**
	(19)	30	4	-	76	3	79
	38	61	22	124	1,370	18	1,388
	19	27	16	2	-	-	-
	57	**88**	**38**	**126**	**1,370**	**18**	**1,388**
	81	94	7	925	1,707	39	1,746
	26	31	2	302	556	13	569
	55	**63**	**5**	**623**	**1,151**	**26**	**1,177**
	-	-	-	1	1	-	1
	55	63	5	624	1,152	26	1,178
	-	-	-	(12)	(24)	-	(24)
	55	**63**	**5**	**612**	**1,128**	**26**	**1,154**
	10,313	23,512	2,006	101,166	372,252	15,354	387,606
	-	-	-	109	109	-	109
	10,313	23,512	2,006	-	271,086	4,373	275,459
	11,573	25,885	2,005	-	280,697	4,760	285,457
	324	160	-	-	3,171	6	3,177
	-	-	-	-	62	-	62
	14,762	35,223	59,774	45,100	351,466	13,964	365,430
	14,762	35,223	59,774	-	302,825	4,495	307,320
	14,426	36,046	63,118	-	308,140	4,513	312,653
	13,259	34,754	1,476	13,044	216,928	5,578	222,506
	13,582	35,900	1,522	13,771	220,784	5,517	226,301
	6,480	33,046	389,072	3,187	546,185	-	546,185
-							
	80	129	7	-	1,346	96	1,442
	10	17	18	-	219	6	225
	3	9	9	463	525	(48)	477
	93	**155**	**34**	**463**	**2,090**	**54**	**2,144**

Note 12 – Operating Segments – continued
Supervisory operating segments

For the three months ended March 31, 2021 (Unaudited)

Reported amounts (NIS in millions)

	Operations in Israel					
			Households		Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	1,228	270	9	1,498	1	343
Interest expenses from externals	-	130	-	130	40	29
Interest revenues, net from externals	1,228	140	9	1,368	(39)	314
Interest revenues, net – inter-segment	(693)	221	(1)	(472)	62	30
Total interest revenues, net	**535**	**361**	**8**	**896**	**23**	**344**
Total non-interest financing revenues	-	-	-	-	-	2
Total commissions and other revenues	36	174	44	210	16	121
Total non-interest revenues	**36**	**174**	**44**	**210**	**16**	**123**
Total revenues	**571**	**535**	**52**	**1,106**	**39**	**467**
Expenses with respect to credit losses	(23)	(7)	-	(30)	(3)	16
Operating and other expenses to externals	211	569	20	780	9	278
Operating and other expenses – inter-segment	-	(42)	(4)	(42)	2	(24)
Total operating and other expenses	**211**	**527**	**16**	**738**	**11**	**254**
Pre-tax profit (loss)	383	15	36	398	31	197
Provision (reduced provision) for taxes on profit	128	5	12	133	10	66
After-tax profit (loss)	**255**	**10**	**24**	**265**	**21**	**131**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	255	10	24	265	21	131
Net profit attributed to non-controlling interests	-	(16)	(2)	(16)	-	(1)
Net profit (loss) attributable to shareholders of the banking corporation	**255**	**(6)**	**22**	**249**	**21**	**130**
Average balance of assets	158,195	24,414	4,519	182,609	307	29,635
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	158,195	24,414	3,101	182,609	307	29,635
Balance of loans to the public at end of reported period	159,734	25,609	4,512	185,343	212	29,241
Balance of impaired debts	58	89	-	147	-	779
Balance of debt in arrears 90 days or longer	1,363	22	-	1,385	-	28
Average balance of liabilities	-	120,479	4,519	120,479	20,495	45,690
Of which: Average balance of deposits from the public	-	115,960	-	115,960	20,495	45,690
Balance of deposits from the public at end of reported period	-	117,174	-	117,174	20,900	47,104
Average balance of risk assets(1)	91,908	22,421	3,986	114,329	145	27,714
Balance of risk assets at end of reported period(1)	92,897	22,410	4,053	115,307	49	27,630
Average balance of assets under management(2)	9,387	46,297	-	55,684	4,199	35,398
Breakdown of interest revenues, net:						
Margin from credit granting operations	511	238	8	749	1	286
Margin from activities of receiving deposits	-	115	-	115	19	30
Other	24	8	-	32	3	28
Total interest revenues, net	**535**	**361**	**8**	**896**	**23**	**344**

(1) Risk assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes clients' provident funds, study funds, mutual funds and securities.

						Operations overseas	Total
	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
	93	155	7	62	2,159	49	2,208
	15	37	58	207	516	1	517
	78	118	(51)	(145)	1,643	48	1,691
	7	21	75	276	(1)	1	-
	85	**139**	**24**	**131**	**1,642**	**49**	**1,691**
	-	3	2	182	189	-	189
	26	38	14	112	537	6	543
	26	**41**	**16**	**294**	**726**	**6**	**732**
	111	**180**	**40**	**425**	**2,368**	**55**	**2,423**
	16	35	(19)	-	15	(2)	13
	35	68	20	128	1,318	23	1,341
	19	27	16	2	-	-	-
	54	**95**	**36**	**130**	**1,318**	**23**	**1,341**
	41	50	23	295	1,035	34	1,069
	14	17	8	99	347	11	358
	27	**33**	**15**	**196**	**688**	**23**	**711**
	-	-	-	(12)	(12)	-	(12)
	27	33	15	184	676	23	699
	-	-	-	(6)	(23)	-	(23)
	27	**33**	**15**	**178**	**653**	**23**	**676**
	9,369	20,640	1,548	96,590	340,698	16,986	357,684
	-	-	-	25	25	-	25
	9,369	20,640	1,548	-	244,108	3,421	247,529
	9,934	21,082	2,231	-	248,043	3,914	251,957
	239	401	117	-	1,683	1	1,684
	-	-	-	-	1,413	-	1,413
	15,281	37,059	47,181	35,088	321,273	16,311	337,584
	15,281	37,059	47,181	-	281,666	4,407	286,073
	15,946	35,734	52,643	-	289,501	4,265	293,766
	11,541	29,259	2,516	11,896	197,400	4,810	202,210
	11,201	29,738	2,664	12,501	199,090	4,846	203,936
	4,338	19,128	350,225	3,179	472,151	-	472,151
-							
	71	124	5	-	1,236	27	1,263
	11	12	14	-	201	3	204
	3	3	5	131	205	19	224
	85	**139**	**24**	**131**	**1,642**	**49**	**1,691**

Note 12 – Operating Segments – continued
Supervisory operating segments
For the year ended December 31, 2021 (audited)
Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	6,456	1,184	36	7,640	2	1,415
Interest expenses from externals	1	696	-	697	192	153
Interest revenues, net from externals	6,455	488	36	6,943	(190)	1,262
Interest revenues, net – inter-segment	(4,192)	948	(5)	(3,244)	271	101
Total interest revenues (expenses), net	**2,263**	**1,436**	**31**	**3,699**	**81**	**1,363**
Total non-interest financing revenues	-	1	-	1	-	1
Total commissions and other revenues	143	699	179	842	23	543
Total non-interest revenues	**143**	**700**	**179**	**843**	**23**	**544**
Total revenues	**2,406**	**2,136**	**210**	**4,542**	**104**	**1,907**
Expenses with respect to credit losses	(133)	(55)	-	(188)	(1)	(71)
Operating and other expenses to externals	835	2,247	70	3,082	26	1,164
Operating and other expenses – inter-segment	-	(42)	(4)	(42)	2	(24)
Total operating and other expenses	**835**	**2,205**	**66**	**3,040**	**28**	**1,140**
Pre-tax profit (loss)	1,704	(14)	144	1,690	77	838
Provision for taxes on profit	586	(5)	50	581	26	288
After-tax profit (loss)	**1,118**	**(9)**	**94**	**1,109**	**51**	**550**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	1,118	(9)	94	1,109	51	550
Net profit attributed to non-controlling interests	-	(52)	(5)	(52)	-	(6)
Net profit (loss) attributable to shareholders of the banking corporation	**1,118**	**(61)**	**89**	**1,057**	**51**	**544**
Average balance of assets	165,384	24,262	3,265	189,646	203	30,459
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	165,384	24,262	3,265	189,646	203	30,459
Balance of loans to the public at end of reported period	175,626	26,184	4,631	201,810	141	30,744
Balance of impaired debts	36	84	-	120	4	704
Balance of debt in arrears 90 days or longer	1,264	25	-	1,289	1	26
Average balance of liabilities	-	120,539	3,265	120,539	20,947	47,118
Of which: Average balance of deposits from the public	-	117,274	-	117,274	20,947	47,118
Balance of deposits from the public at end of reported period	-	118,051	-	118,051	21,664	50,247
Average balance of risk assets(1)	96,065	22,835	4,133	118,900	98	27,504
Balance of risk assets at end of reported period(1)	101,946	23,394	4,085	125,340	75	27,368
Average balance of assets under management(2)	8,486	54,158	-	62,644	6,718	38,589
Breakdown of interest revenues, net:						
Margin from credit granting operations	2,152	958	30	3,110	1	1,182
Margin from activities of receiving deposits	-	450	-	450	72	124
Other	111	28	1	139	8	57
Total interest revenues, net	**2,263**	**1,436**	**31**	**3,699**	**81**	**1,363**

(1) Risk assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes clients' provident funds, study funds, mutual funds and securities.

	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Operations overseas Total – operations overseas	Total
	382	611	39	248	10,337	220	10,557
	58	187	340	1,238	2,865	7	2,872
	324	424	(301)	(990)	7,472	213	7,685
	13	161	410	2,293	5	(5)	-
	337	**585**	**109**	**1,303**	**7,477**	**208**	**7,685**
	(2)	5	3	385	393	8	401
	114	160	51	467	2,200	34	2,234
	112	**165**	**54**	**852**	**2,593**	**42**	**2,635**
	449	**750**	**163**	**2,155**	**10,070**	**250**	**10,320**
	22	(7)	(32)	(1)	(278)	-	(278)
	220	352	152	503	5,499	69	5,568
	19	27	16	2	-	-	-
	239	**379**	**168**	**505**	**5,499**	**69**	**5,568**
	188	378	27	1,651	4,849	181	5,030
	65	130	9	569	1,668	62	1,730
	123	**248**	**18**	**1,082**	**3,181**	**119**	**3,300**
	-	-	-	(10)	(10)	-	(10)
	123	248	18	1,072	3,171	119	3,290
	-	-	-	(44)	(102)	-	(102)
	123	**248**	**18**	**1,028**	**3,069**	**119**	**3,188**
	8,958	20,838	1,777	103,668	355,549	15,974	371,523
	-	-	-	22	22	-	22
	8,958	20,838	1,777	-	251,881	3,552	255,433
	10,066	23,574	2,960	-	269,295	4,236	273,531
	187	336	-	1	1,352	-	1,352
	-	-	-	-	1,316	-	1,316
	15,525	36,129	53,355	41,790	335,403	15,090	350,493
	15,525	36,129	53,355	-	290,348	4,067	294,415
	15,742	36,669	61,365	-	303,738	4,186	307,924
	11,927	30,618	2,295	11,971	203,313	5,010	208,323
	12,936	33,606	1,429	12,316	213,070	5,640	218,710
	6,410	27,498	368,943	3,380	514,182	-	514,182
-							
	285	490	26	-	5,094	121	5,215
	42	53	62	-	803	8	811
	10	42	21	1,303	1,580	79	1,659
	337	**585**	**109**	**1,303**	**7,477**	**208**	**7,685**

Note 12 – Operating Segments – continued

B. Operating segments in conformity with the management approach

The Bank manages its operations in six major operating segments, which are distinguished by client characteristics and type of banking services required, as well as by the organizational unit responsible for servicing each segment. Operating segment definition is based on the Bank's organizational structure, as described below. The operations in the six operating segments include all areas of banking operations including classic banking activity (loans and deposits), securities activity for clients and activity in derivatives, as well as custom banking services designed for needs in specific fields. Operations of the various segments are conducted through Bank branches, the trading room, the business centers, headquarters units of the Bank and Bank subsidiaries in Israel and overseas.

For more information about measurement of Bank operations in conformity with the supervisory segments approach, as specified by the Supervisor of Banks, see information about supervisory operating segments above.

Below are the Bank's operating segments in conformity with the management approach:

Household segment – under responsibility of the Retail Division. This segment includes small household clients and mortgage operations. The division provides appropriate banking services and financial products to segment clients, including in the field of mortgages.

Small business segment – under responsibility of the Retail Division, which also serves micro business clients (businesses with annual turnover below NIS 10 million) and small businesses (with annual turnover from NIS 10 million to under NIS 50 million). Occasionally, due to growth in activity of a client served by the Retail Division, the client may exceed the aforementioned criteria. Banking services and financial products, including commercial banking services as required, are provided to segment clients.

Private banking – The Retail Division is responsible for private banking. Sector clients are individual clients with liquid assets (primarily short-term deposits and security investments) over NIS 1 million. Clients of this segment have high financial wealth, to whom the Bank offers access to unique products and services in capital market activity, advisory service and investment management.

Commercial banking – clients of this segment are private and public companies of medium size (middle market) and medium level of indebtedness, and are served by the Business Banking Division, primarily by the Business sector, which operates via three business centers located throughout Israel. As from 2019, new business clients with annual turnover from NIS 50 million to under NIS 250 million are assigned to the Business sector. Segment clients operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

Business banking – the Major Corporations sector in the Corporate Division is responsible for the Business Banking segment, which is the focal point for handling the largest business clients. As from 2019, businesses with annual turnover above NIS 250 million are assigned to the Corporate Sector. This segment provides a range of banking and financial services to the largest companies in the economy, in an array of industries, at relatively high levels of indebtedness. Segment clients operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

Financial management – operations in this segment include, inter alia, management of assets and liabilities, management of exposure to market risk, management of the nostro portfolio and liquidity management as well as trading room operations in the financial and capital markets. The Finance Division is responsible for this segment, except for investments in non-banking corporations, for which the Corporate Division is responsible.

The major products and guidelines for attribution of balances, revenues and expenses to clients in the system to operating segments in conformity with the management approach, are similar to products and guidelines according to the supervisory operating segment approach.

Note 12 – Operating Segments – continued
Operating segments in conformity with the management approach
For the three months ended March 31, 2022 (Unaudited)
Reported amounts (NIS in millions)

	House-holds – other	House-holds – mortgages	Private banking	Small busi-nesses	Com-mercial banking	Business banking	Financial mana-gement	Total conso-lidated
Interest revenues, net:								
From externals	156	1,918	(5)	222	70	286	(503)	2,144
Inter-segment	307	(1,401)	17	66	6	30	975	-
Total interest revenues, net	**463**	**517**	**12**	**288**	**76**	**316**	**472**	**2,144**
Non-interest financing revenues	21	-	-	-	-	11	85	117
Commissions and other revenues	188	37	5	124	21	84	493	952
Total revenues	**672**	**554**	**17**	**412**	**97**	**411**	**1,050**	**3,213**
Expenses (income) with respect to credit losses	4	14	-	44	(13)	30	-	79
Operating and other expenses	570	216	6	242	68	155	131	1,388
Pre-tax profit	98	324	11	126	42	226	919	1,746
Provision for taxes on profit	32	106	4	41	14	74	298	569
After-tax profit	**66**	**218**	**7**	**85**	**28**	**152**	**621**	**1,177**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	1	1
Net profit (loss):								
Before attribution to non-controlling interests	66	218	7	85	28	152	622	1,178
Attributable to non-controlling interests	(11)	-	-	(1)	-	-	(12)	(24)
Net profit attributable to shareholders of the Bank	**55**	**218**	**7**	**84**	**28**	**152**	**610**	**1,154**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)[(1)]	8.8%	9.0%	-	18.2%	11.4%	11.2%	-	21.9%
Average balance of loans to the public, net	32,601	169,521	427	22,332	8,475	40,064	-	273,420
Average balance of deposits from the public	139,290	-	7,429	44,826	13,978	84,105	17,692	307,320
Average balance of assets	33,625	169,716	305	22,430	8,531	50,848	102,151	387,606
Average balance of risk assets[(2)]	29,704	97,102	105	18,643	9,820	54,283	12,849	222,506

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.

(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 12 – Operating Segments – continued
Operating segments in conformity with the management approach
For the three months ended March 31, 2021 (Unaudited)
Reported amounts (NIS in millions)

	House-holds – other	House-holds – mortgages	Private banking	Small busi-nesses	Com-mercial banking	Business banking	Financial mana-gement	Total conso-lidated
Interest revenues, net:								
From externals	198	1,123	(4)	243	70	260	(199)	1,691
Inter-segment	250	(661)	17	42	-	10	342	-
Total interest revenues, net	**448**	**462**	**13**	**285**	**70**	**270**	**143**	**1,691**
Non-interest financing revenues	16	-	-	-	-	1	172	189
Commissions and other revenues	181	38	18	88	20	78	120	543
Total revenues	**645**	**500**	**31**	**373**	**90**	**349**	**435**	**2,423**
Expenses with respect to credit losses	(10)	(23)	(4)	21	4	25	-	13
Operating and other expenses	545	202	15	220	64	160	135	1,341
Pre-tax profit (loss)	110	321	20	132	22	164	300	1,069
Provision (reduced provision) for taxes on profit	37	108	7	44	7	55	100	358
After-tax profit (loss)	**73**	**213**	**13**	**88**	**15**	**109**	**200**	**711**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	(12)	(12)
Net profit (loss):								
Before attribution to non-controlling interests	73	213	13	88	15	109	188	699
Attributable to non-controlling interests	(15)	-	-	(1)	-	-	(7)	(23)
Net profit (loss) attributable to shareholders of the Bank	**58**	**213**	**13**	**87**	**15**	**109**	**181**	**676**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)(1)	9.9%	9.6%	-	17.7%	6.9%	9.2%	-	14.1%
Average balance of loans to the public, net	31,275	150,670	454	22,421	7,415	32,498	-	244,733
Average balance of deposits from the public	132,823	-	8,152	41,204	13,096	74,119	16,679	286,073
Average balance of assets	32,234	151,518	919	22,637	7,507	46,270	96,599	357,684
Average balance of risk assets(2)	27,441	87,199	449	19,579	8,585	46,633	12,324	202,210

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.
(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 12 – Operating Segments – continued
Operating segments in conformity with the management approach
For the year ended December 31, 2021 (audited)
Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues, net:								
From externals	747	5,952	(30)	923	273	990	(1,170)	7,685
Inter-segment	1,078	(4,029)	74	202	15	114	2,546	-
Total interest revenues, net	**1,825**	**1,923**	**44**	**1,125**	**288**	**1,104**	**1,376**	**7,685**
Non-interest financing revenues	79	1	1	3	(1)	57	261	401
Commissions and other revenues	723	147	23	454	86	318	483	2,234
Total revenues	**2,627**	**2,071**	**68**	**1,582**	**373**	**1,479**	**2,120**	**10,320**
Expenses with respect to credit losses	(76)	(130)	(5)	(93)	24	11	(9)	(278)
Operating and other expenses	2,283	801	31	988	283	658	524	5,568
Pre-tax profit (loss)	420	1,400	42	687	66	810	1,605	5,030
Provision (reduced provision) for taxes on profit	144	482	14	236	23	279	552	1,730
After-tax profit (loss)	**276**	**918**	**28**	**451**	**43**	**531**	**1,053**	**3,300**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	(10)	(10)
Net profit (loss):								
Before attribution to non-controlling interests	276	918	24	451	43	535	1,043	3,290
Attributable to non-controlling interests	(52)	-	-	(6)	-	-	(44)	(102)
Net profit (loss) attributable to shareholders of the Bank	**224**	**918**	**24**	**445**	**43**	**535**	**999**	**3,188**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)(1)	9.4%	10.0%	-	23.3%	4.8%	10.9%	-	15.8%
Average balance of loans to the public, net	31,808	157,145	421	22,668	7,631	33,509	-	253,182
Average balance of deposits from the public	135,541	-	7,645	42,268	13,515	79,845	15,601	294,415
Average balance of assets	32,038	156,125	505	22,771	7,652	45,748	106,684	371,523
Average balance of risk assets(2)	28,278	90,985	238	19,220	8,896	48,462	12,244	208,323

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.
(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses

Reported amounts (NIS in millions)

A. Debts[1], bonds held to maturity and bonds available for sale and off-balance sheet credit instruments

1. Movement in balance of provision for credit losses

	For the three months ended March 31, 2022 (Unaudited)					
	Provision for credit losses					
	Loans to the public				Banks, governments and bonds held to maturity and available for sale	
	Commercial	Housing	Individual – other	Total		Total
Balance of provision for credit losses at start of period	1,256	804	254	2,314	1	2,315
Opening balance adjustment for effect of initial application of public reporting directives with regard to expected credit losses[2]	304	(32)	120	392	-	392
Expenses (income) with respect to credit losses	61	14	4	79	-	79
Accounting write-offs	(38)	-	(35)	(73)	-	(73)
Collection of debts written off for accounting purposes in previous years	30	-	23	53	-	53
Net accounting write-offs	(8)	-	(12)	(20)	-	(20)
Other[3]	(23)	1	10	(12)	-	(12)
Balance of provision for credit losses at end of period	**1,590**	**787**	**376**	**2,753**	**1**	**2,754**
Of which: With respect to off balance sheet credit instruments	**192**	**8**	**13**	**213**	**-**	**213**
	For the three months ended March 31, 2021 (Unaudited)					
Balance of provision for credit losses at start of period	1,383	942	340	2,665	2	2,667
Expenses with respect to credit losses	45	(23)	(10)	12	1	13
Accounting write-offs	(41)	(1)	(42)	(84)	-	(84)
Collection of debts written off for accounting purposes in previous years	23	-	24	47	-	47
Net accounting write-offs	(18)	(1)	(18)	(37)	-	(37)
Other[3]	3	-	4	7	-	7
Balance of provision for credit losses at end of period	**1,413**	**918**	**316**	**2,647**	**3**	**2,650**
Of which: With respect to off balance sheet credit instruments	**206**	**-**	**23**	**229**	**-**	**229**

(1) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements, except for deposits with Bank of Israel.

(2) Including with respect to residential mortgages of insignificant amount.

(3) Movement in provision for credit losses in subsidiary, primarily attributed to cost of acquisition upon initial consolidation, and is therefore not included on the consolidated balance sheet.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

A. Debts(1), bonds held to maturity and bonds available for sale and off-balance sheet credit instruments

2. Additional information about calculation of the provision for credit losses with respect to debts, and debts for which the provision has been calculated

	March 31, 2022 (unaudited)					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds held to maturity and available for sale	Total
Recorded debt balance(1), bonds held to maturity and bonds available for sale						
reviewed on individual basis	64,685	-	497	65,182	23,108	88,290
reviewed on group basis	13,212	182,225	24,838	220,275	-	220,275
Total debts	**77,897**	**(2)182,225**	**25,335**	**285,457**	**23,108**	**308,565**
Provision for credit losses with respect to debts(1), bonds held to maturity and bonds available for sale						
reviewed on individual basis	932	-	6	938	1	939
reviewed on group basis	466	779	357	1,602	-	1,602
Total provision for credit losses	**1,398**	**779**	**363**	**2,540**	**1**	**2,541**
	March 31, 2021 (unaudited)					
Recorded debt balance(1), bonds held to maturity and bonds available for sale						
reviewed on individual basis	58,482	58	678	59,218	27,137	86,355
reviewed on group basis	9,589	159,885	23,265	192,739	-	192,739
Total debts	**68,071**	**(2)159,943**	**23,943**	**251,957**	**27,137**	**279,094**
Provision for credit losses with respect to debts(1), bonds held to maturity and bonds available for sale						
reviewed on individual basis	1,061	1	29	1,091	3	1,094
reviewed on group basis	146	917	264	1,327	-	1,327
Total provision for credit losses	**1,207**	**918**	**293**	**2,418**	**3**	**2,421**
	As of December 31, 2021 (audited)					
Recorded debt balance(1), bonds held to maturity and bonds available for sale						
reviewed on individual basis	63,761	36	564	64,361	23,888	88,249
reviewed on group basis	9,162	175,722	24,286	209,170	-	209,170
Total debts	**72,923**	**(2)175,758**	**24,850**	**273,531**	**23,888**	**297,419**
Provision for credit losses with respect to debts(1), bonds held to maturity and bonds available for sale						
reviewed on individual basis	959	1	21	981	1	982
reviewed on group basis	102	803	217	1,122	-	1,122
Total provision for credit losses	**1,061**	**804**	**238**	**2,103**	**1**	**2,104**

(1) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements, except for deposits with Bank of Israel.

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 11,284 million (as of March 31, 2021: NIS 9,625 million and as of December 31, 2021: NIS 11,145 million).

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears

	As of March 31, 2022 (unaudited)					
		Problematic[1]			Accruing debts – additional information	
	In good standing	Accruing	Non-accruing	Total	In arrears 90 days or longer[2]	In arrears 30 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction[4]	21,805	95	197	22,097	6	53
Construction and real estate – real estate operations	6,125	47	47	6,219	1	25
Financial services	8,489	19	9	8,517	-	8
Commercial – other	36,516	470	821	37,807	30	146
Total commercial	**72,935**	**631**	**1,074**	**74,640**	**37**	**232**
Private individuals – residential mortgages	178,809	1,226	2,038	182,073	-	901
Private individuals – other	25,026	141	59	25,226	25	89
Total loans to the public – activity in Israel	**276,770**	**1,998**	**3,171**	**281,939**	**62**	**1,222**
Borrower activity overseas						
Public – commercial						
Construction and real estate	2,279	-	-	2,279	-	-
Commercial – other	909	63	6	978	-	-
Total commercial	**3,188**	**63**	**6**	**3,257**	**-**	**-**
Private individuals	261	-	-	261	-	-
Total loans to the public – activity overseas	**3,449**	**63**	**6**	**3,518**	**-**	**-**
Total loans to the public	**280,219**	**2,061**	**3,177**	**285,457**	**62**	**1,222**

(1) Loans to the public – non-accruing, inferior or under special supervision
(2) Classified as problematic debts accruing interest revenues.
(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 137 million were classified as problematic non-impaired debts.
(4) Includes debts amounting to NIS 1,731 million, extended to certain purchase groups which are in the process of construction.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears – continued

	As of March 31, 2021 (unaudited)[5]					
		Problematic[1]			Accruing debts – additional information	
	In good standing	Accruing	Non-accruing	Total	In arrears 90 days or longer[2]	In arrears 3 0 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction[4]	16,615	82	158	16,855	7	33
Construction and real estate – real estate operations	6,002	16	96	6,114	1	13
Financial services	8,333	40	123	8,496	-	6
Commercial – other	32,170	624	1,022	33,816	20	73
Total commercial	**63,120**	**762**	**1,399**	**65,281**	**28**	**125**
Private individuals – residential mortgages	158,261	1,433	-	159,694	1,421	490
Private individuals – other	23,654	129	56	23,839	22	75
Total loans to the public – activity in Israel	**245,035**	**2,324**	**1,455**	**248,814**	**1,471**	**690**
Borrower activity overseas						
Public – commercial						
Construction and real estate	1,891	-	-	1,891	-	-
Commercial – other	838	-	61	899	-	-
Total commercial	**2,729**	**-**	**61**	**2,790**	**-**	**-**
Private individuals	353	-	-	353	-	-
Total loans to the public – activity overseas	**3,082**	**-**	**61**	**3,143**	**-**	**-**
Total loans to the public	**248,117**	**2,324**	**1,516**	**251,957**	**1,471**	**690**

(1) Loans to the public – non-accruing, inferior or under special supervision
(2) Classified as problematic debts accruing interest revenues.
(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 77 million were classified as problematic non-impaired debts.
(4) Includes debts amounting to NIS 2,214 million, extended to certain purchase groups which are in the process of construction.
(5) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears – continued

	As of December 31, 2021 (audited) [(5)]					
		Problematic[(1)]			Accruing debts – additional information	
	In good standing	Accruing	Non-accruing	Total	In arrears 90 days or longer[(2)]	In arrears 30 to 89 days[(3)]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction[(4)]	19,580	124	177	19,881	9	23
Construction and real estate – real estate operations	6,116	28	84	6,228	1	9
Financial services	8,101	35	7	8,143	-	1
Commercial – other	34,101	513	919	35,533	16	108
Total commercial	**67,898**	**700**	**1,187**	**69,785**	**26**	**141**
Private individuals – residential mortgages	174,299	1,300	-	175,599	1,300	519
Private individuals – other	24,649	137	56	24,842	26	79
Total public – activity in Israel	**266,846**	**2,137**	**1,243**	**270,226**	**1,352**	**739**
Borrower activity overseas						
Public – commercial						
Construction and real estate	2,196	1	-	2,197	-	-
Commercial – other	902	33	6	941	-	-
Total commercial	**3,098**	**34**	**6**	**3,138**	**-**	**-**
Private individuals	167	-	-	167	-	-
Total public – activity overseas	**3,265**	**34**	**6**	**3,305**	**-**	**-**
Total public	**270,111**	**2,171**	**1,249**	**273,531**	**1,352**	**739**

(1) Loans to the public – non-accruing, inferior or under special supervision
(2) Classified as problematic debts accruing interest revenues.
(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 49 million were classified as problematic non-impaired debts.
(4) Includes debts amounting to NIS 1,699 million, extended to certain purchase groups which are in the process of construction.
(5) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.B. Credit quality by year when credit was extended

	As of March 31, 2022 (unaudited)								
	Recorded debt balance of term loans to the public						Recorded debt balance of renewable loans	Recorded debt balance of renewable loans converted into term loans	Total
	2022	2021	2020	2019	2018	Previously			
Credit quality by year when credit was extended									
Borrower activity in Israel									
Public – commercial									
Construction and real estate – total	**8,031**	**11,626**	**3,152**	**1,235**	**837**	**960**	**2,048**	**427**	**28,316**
Credit at performing credit rating	7,975	11,385	2,943	1,127	678	898	1,890	395	27,291
Credit other than at performing credit rating and non-problematic	40	162	172	58	128	23	27	29	639
Accruing problematic credit	5	17	23	26	23	10	38	-	142
Non-accruing credit	11	62	14	24	8	29	93	3	244
Commercial, other – total	**6,108**	**10,756**	**6,895**	**2,309**	**1,286**	**1,936**	**16,723**	**311**	**46,324**
Credit at performing credit rating	5,774	10,311	6,378	2,124	1,189	1,769	15,941	276	43,762
Credit other than at performing credit rating and non-problematic	179	228	265	66	27	62	402	14	1,243
Accruing problematic credit	80	47	103	51	19	14	162	13	489
Non-accruing credit	75	170	149	68	51	91	218	8	830
Individuals – residential mortgages – total	**9,972**	**28,832**	**26,054**	**18,842**	**21,487**	**76,886**	**-**	**-**	**182,073**
LTV up to 60%	5,264	15,944	14,975	12,584	13,479	54,283	-	-	116,529
LTV from 60% to 75%	4,670	12,715	10,901	6,198	7,670	20,920	-	-	63,074
LTV over 75%	38	173	178	60	338	1,683	-	-	2,470
Credit at performing credit rating, not in arrears	9,855	28,396	25,695	18,446	21,036	74,556	-	-	177,984
Credit not at performing credit rating, not in arrears	108	260	157	87	89	449	-	-	1,150
In arrears 30-89 days	8	118	92	111	100	472	-	-	901
Non-accruing credit	1	58	110	198	262	1,409	-	-	2,038
Individuals, other – total	**2,741**	**6,455**	**3,375**	**2,864**	**1,595**	**1,608**	**6,525**	**63**	**25,226**
Credit at performing credit rating, not in arrears	2,713	6,357	3,310	2,794	1,544	1,530	6,408	60	24,716
Credit at performing credit rating, not in arrears	19	67	48	57	45	64	35	2	337
In arrears 30-89 days	1	11	5	5	3	6	58	-	89
In arrears over 90 days	-	4	2	3	-	1	15	-	25
Non-accruing credit	8	16	10	5	3	7	9	1	59
Total loans to the public – activity in Israel	**26,852**	**57,669**	**39,476**	**25,250**	**25,205**	**81,390**	**25,296**	**801**	**281,939**
Borrower activity overseas									
Total loans to the public – activity overseas	**821**	**543**	**814**	**534**	**399**	**407**	**-**	**-**	**3,518**
Non-problematic credit	821	507	781	534	399	407	-	-	3,449
Accruing problematic credit	-	30	33	-	-	-	-	-	63
Non-accruing credit	-	6	-	-	-	-	-	-	6
Total loans to the public	**27,673**	**58,212**	**40,290**	**25,784**	**25,604**	**81,797**	**25,296**	**801**	**285,457**

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts(1)

	As of March 31, 2022 (unaudited)					
	Balance of non-accruing debts for which a provision has been recognized(1)(2)	Provision balance	Balance of non-accruing debts for which a provision has not been recognized(1)	Total balance of non-accruing debts(1)	Contractual principal balance of non-accruing debts	Interest revenues recognized(3)
Borrower activity in Israel						
Public – commercial						
Construction and real estate	231	26	13	244	372	7
Commercial – other	770	235	60	830	1,131	3
Total commercial	**1,001**	**261**	**73**	**1,074**	**1,503**	**10**
Private individuals – residential mortgages	2,005	102	33	2,038	1,564	2
Private individuals – other	52	17	7	59	66	4
Total loans to the public – activity in Israel	**3,058**	**380**	**113**	**3,171**	**3,133**	**16**
Borrower activity overseas						
Total loans to the public – activity overseas	**6**	**-**	**-**	**6**	**-**	**-**
Total	**3,064**	**380**	**113**	**3,177**	**3,133**	**16**
Of which:						
Measured individually at present value of cash flows	926	253	64	990	1,387	
Measured individually at fair value of collateral	12	1	49	61	149	
Measured on group basis	2,126	126	-	2,126	1,597	

(1) Recorded debt balance.
(2) Debt balance net of accounting write-off, if made.
(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.

- Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 46 million.
- Total average recorded debt balance for non-accruing debt in the three months ended March 31, 2022 amounted to NIS 2,264 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts[1]

	As of March 31, 2021 (unaudited)[4]					
	Balance of non-accruing debts for which a provision has been recognized[1][2]	Provision balance	Balance of non-accruing debts for which a provision has not been recognized[1]	Total balance of non-accruing debts[1]	Contractual principal balance of non-accruing debts	Interest revenues recognized[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate	223	27	31	254	358	-
Commercial – other	954	269	191	1,145	1,361	3
Total commercial	**1,177**	**296**	**222**	**1,399**	**1,719**	**3**
Private individuals – residential mortgages	-	-	-	-	-	-
Private individuals – other	41	21	15	56	78	1
Total loans to the public – activity in Israel	**1,218**	**317**	**237**	**1,455**	**1,797**	**4**
Borrower activity overseas						
Total loans to the public – activity overseas	**61**	**44**	**-**	**61**	**66**	**-**
Total	**1,279**	**361**	**237**	**1,516**	**1,863**	**4**
Of which:						
Measured individually at present value of cash flows	1,141	353	184	1,325	1,690	
Measured individually at fair value of collateral	124	-	53	177	173	
Measured on group basis	14	8	-	14	-	

(1) Recorded debt balance.
(2) Debt balance net of accounting write-off, if made.
(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.
(4) Re-classified in conformity with new disclosure format.
- Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 39 million.
- Total average recorded debt balance for non-accruing debt in the year ended March 31, 2021 amounted to NIS 1,696 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts[1]

	As of December 31, 2021 (audited) [4]					
	Balance of non-accruing debts for which a provision has been recognized[1][2]	Provision balance	Balance of non-accruing debts for which a provision has not been recognized[1]	Total balance of non-accruing debts[1]	Contractual principal balance of non-accruing debts	Interest revenues recognized[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate	221	19	40	261	367	2
Commercial – other	789	282	137	926	1,145	11
Total commercial	**1,010**	**301**	**177**	**1,187**	**1,512**	**13**
Private individuals – residential mortgages	-	-	-	-	-	-
Private individuals – other	36	17	20	56	105	3
Total loans to the public – activity in Israel	**1,046**	**318**	**197**	**1,243**	**1,617**	**16**
Borrower activity overseas						
Total loans to the public – activity overseas	**6**	**1**	**-**	**6**	**1**	**-**
Total	**1,052**	**319**	**197**	**1,249**	**1,618**	**16**
Of which:						
Measured individually at present value of cash flows	929	312	140	1,069	1,461	
Measured individually at fair value of collateral	111	-	57	168	157	
Measured on group basis	12	7	-	12	-	

(1) Recorded debt balance.
(2) Debt balance net of accounting write-off, if made.
(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.
(4) Re-classified in conformity with new disclosure format.
- Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 117 million.
- Total average recorded debt balance for non-accruing debt in the year ended December 31, 2021 amounted to NIS 1,528 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Additional information about debt subject to re-structuring of problematic debt

	March 31, 2022 (unaudited)				
	Recorded debt balance				
	Not accruing interest revenues	Accruing[1] in arrears 90 days or longer	Accruing[1] in arrears 30 to 89 days	Accruing[1] not in arrears	Total
Borrower activity in Israel					
Public – commercial					
Construction and real estate	49	-	-	10	59
Commercial – other	111	-	-	10	121
Total commercial	**160**	**-**	**-**	**20**	**180**
Private individuals – residential mortgages[2]	1,503	-	-	-	1,503
Private individuals – other	38	-	-	34	72
Total loans to the public – activity in Israel	**1,701**	**-**	**-**	**54**	**1,755**
Borrower activity overseas					
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total	**1,701**	**-**	**-**	**54**	**1,755**

	March 31, 2021 (unaudited)[3]				
Borrower activity in Israel					
Public – commercial					
Construction and real estate	50	-	-	7	57
Commercial – other	349	-	-	80	429
Total commercial	**399**	**-**	**-**	**87**	**486**
Private individuals – residential mortgages	-	-	-	-	-
Private individuals – other	33	-	1	35	69
Total loans to the public – activity in Israel	**432**	**-**	**1**	**122**	**555**
Borrower activity overseas					
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total	**432**	**-**	**1**	**122**	**555**

(1) Accruing interest revenues.
(2) Initially presented due to application of new rules on identification of re-structuring of problematic debts for residential mortgages.
(3) Re-classified in conformity with new disclosure format.

As of March 31, 2022, debt subject to re-structuring of problematic debt, amounting to NIS 1,755 million, was classified as problematic debt. As of March 31, 2021 – amounting to NIS 555 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Additional information about debt subject to re-structuring of problematic debt – continued

	December 31, 2021 (audited)[2]				
	Recorded debt balance				
	Not accruing interest revenues	Accruing[1] in arrears 90 days or longer	Accruing[1] in arrears 30 to 89 days	Accruing[1] not in arrears	Total
Borrower activity in Israel					
Public – commercial					
Construction and real estate	52	-	-	12	64
Commercial – other	315	-	-	31	346
Total commercial	**367**	**-**	**-**	**43**	**410**
Private individuals – residential mortgages	-	-	-	-	-
Private individuals – other	31	-	1	34	66
Total loans to the public – activity in Israel	**398**	**-**	**1**	**77**	**476**
Borrower activity overseas					
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total	**398**	**-**	**1**	**77**	**476**

(1) Accruing interest revenues.
(2) Re-classified in conformity with new disclosure format.

As of December 31, 2021, debt subject to re-structuring of problematic debt, amounting to NIS 476 million, was classified as problematic debt.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Additional information about debt subject to re-structuring of problematic debt – continued

	Restructurings made					
	For the three months ended					
	March 31, 2022 (unaudited)			March 31, 2021 (unaudited)		
	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
Borrower activity in Israel						
Public – commercial						
Construction and real estate	16	2	2	12	3	3
Commercial – other	100	5	3	83	9	8
Total commercial	**116**	**7**	**5**	**95**	**12**	**11**
Private individuals – residential mortgages	501	166	166	-	-	-
Private individuals – other	240	8	8	257	7	7
Total loans to the public – activity in Israel	**857**	**181**	**179**	**352**	**19**	**18**
Borrower activity overseas						
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**	**-**
Total	**857**	**181**	**179**	**352**	**19**	**18**

	Restructurings made which are in default(1)			
	For the three months ended			
	March 31, 2022 (unaudited)		March 31, 2021 (unaudited)	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate	7	-	3	-
Commercial – other	35	8	27	2
Total commercial	**42**	**8**	**30**	**2**
Private individuals – residential mortgages	778	221	-	-
Private individuals – other	96	-	117	1
Total public – activity in Israel	**916**	**229**	**147**	**3**
Borrower activity overseas				
Total public – activity overseas	**-**	**-**	**-**	**-**
Total	**916**	**229**	**147**	**3**

(1) Debts which became, in the reported period, debts in arrears of 30 days or longer, which were restructured under problematic debt restructuring in the 12 months prior to the date on which they became debts in arrears.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.C. Additional information about non-accruing credit in arrears

	As of March 31, 2022 (unaudited)							
	Not in arrears 90 days or longer	In arrears 90 to 180 days	In arrears 180 days to 1 year	In arrears over 1 year to 3 years	In arrears over 3 years to 5 years	In arrears over 5 years to 7 years	In arrears over 7 years	Total
Commercial	549	119	132	188	50	23	19	1,080
Residential mortgages	170	531	729	513	58	19	18	2,038
Private individuals – other	38	3	9	7	2	-	-	59
Total	**757**	**653**	**870**	**708**	**110**	**42**	**37**	**3,177**
	As of March 31, 2021 (unaudited)							
Commercial	981	58	30	304	58	20	12	1,463
Residential mortgages	-	-	-	-	-	-	-	-
Private individuals – other	36	3	3	9	1	-	1	53
Total	**1,017**	**61**	**33**	**313**	**59**	**20**	**13**	**1,516**
	As of December 31, 2021 (audited)							
Commercial	624	114	101	265	60	25	19	1,208
Residential mortgages	-	-	-	-	-	-	-	-
Private individuals – other	28	2	2	6	2	-	1	41
Total	**652**	**116**	**103**	**271**	**62**	**25**	**20**	**1,249**

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Debts

3. Additional information about residential mortgages

Below is the composition of balances by loan-to-value ratio (LTV)[1], repayment type and interest type:

					March 31, 2022 (unaudited)
		residential mortgage balance			Off-balance sheet credit risk
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	116,405	3,319	73,700	4,302
	Over 60%	65,873	785	41,219	4,613
Junior lien or no lien		338	4	237	12,039
Total		**182,616**	**4,108**	**115,156**	**20,954**

					March 31, 2021 (unaudited)
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	105,971	3,251	67,046	3,576
	Over 60%	53,680	724	33,792	3,641
Junior lien or no lien		292	2	213	9,716
Total		**159,943**	**3,977**	**101,051**	**16,933**

					As of December 31, 2021 (audited)
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	112,939	3,315	71,720	3,798
	Over 60%	62,491	767	39,313	3,859
Junior lien or no lien		328	2	232	12,112
Total		**175,758**	**4,084**	**111,265**	**19,769**

(1) Ratio of approved facility upon extending the facility to the property value, as approved by the Bank upon extending the facility

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

C. Information about purchase and sale of debts

	For the three months ended March 31, 2022				For the three months ended March 31, 2021			
	Commercial	**Housing**	**Other**	**Total**	**Commercial**	**Housing**	**Other**	**Total**
Loans acquired	-	-	582	527	-	-	396	396
Loans sold	-	-	-	-	-	-	-	-

	For the year ended December 31, 2021			
	Commercial	**Housing**	Other	**Total**
Loans acquired	-	-	1,778	1,778
Loans sold	234	-	-	234

d. Off-balance sheet financial instruments

Contractual balances or their denominated amounts at end of quarter

	March 31		December 31	March 31		December 31
	2022	**2021**	**2021**	**2022**	**2021**	**2021**
	Balance[(1)]			Provision for credit losses		
		(Unaudited)	(Audited)		(Unaudited)	(Audited)
Transactions in which the balance represents a credit risk:						
- Un-utilized debitory account and other credit facilities in accounts available on demand	20,993	20,083	21,168	23	46	39
- Guarantees to home buyers	17,666	11,946	16,582	10	7	8
- Irrevocable commitments for loans approved but not yet granted[(3)]	32,559	31,680	32,963	32	56	46
- Unutilized revolving credit card facilities	10,991	10,102	10,643	7	13	9
- Commitments to issue guarantees	9,747	11,775	9,351	1	5	3
- Guarantees and other liabilities[(2)]	10,999	9,030	10,571	88	59	65
- Loan guarantees	3,296	3,138	3,321	38	41	38
- Documentary credit	617	336	430	14	2	3

(1) Contractual balances or their stated amounts at the end of the period, before effect of provision for credit losses.
(2) Includes the Bank's liabilities for its share in the risks fund of the MAOF Clearinghouse of NIS 85 million. (On March 31, 2021 and on December 31, 2021: NIS 78 million and NIS 85 million, respectively).
(3) Includes effect of extension of approval in principle for residential mortgages, from 12 to 24 days, pursuant to update to Proper Conduct of Banking Business Directive 451 regarding "Procedures for extending residential mortgages".

Note 14 – Assets and Liabilities by Linkage Basis

As of March 31, 2022 (unaudited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]				
	Non-linked	CPI-linked	USD	EUR	Other currencies	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	77,296	-	6,658	527	185	-	84,666
Securities	7,130	1,425	7,237	450	-	725	16,967
Securities borrowed or bought in conjunction with resale agreements	306	236	-	-	-	-	542
Loans to the public, net[3]	199,482	71,054	7,007	3,410	1,964	-	282,917
Loans to Governments	78	-	253	126	-	-	457
Investments in associated companies	35	-	-	-	-	74	109
Buildings and equipment	-	-	-	-	-	1,400	1,400
Intangible assets and goodwill	-	-	-	-	-	201	201
Assets with respect to derivatives	1,963	104	1,066	185	33	2	3,353
Other assets	2,036	408	181	1	37	770	3,433
Total assets	**288,326**	**73,227**	**22,402**	**4,699**	**2,219**	**3,172**	**394,045**
Liabilities							
Deposits from the public	235,628	22,733	46,204	5,521	2,567	-	312,653
Deposits from banks	5,429	-	1,261	142	18	-	6,850
Deposits from the Government	43	2	21	-	-	-	66
Bonds and subordinated notes	7,024	27,087	1,934	-	-	-	36,045
Liabilities with respect to derivatives	2,022	182	572	135	27	2	2,940
Other liabilities	8,713	3,172	158	1	27	1,236	13,307
Total liabilities	**258,859**	**53,176**	**50,150**	**5,799**	**2,639**	**1,238**	**371,861**
Difference	**29,467**	**20,051**	**(27,748)**	**(1,100)**	**(420)**	**1,934**	**22,184**
Impact of hedging derivatives:							
Derivative instruments (other than options)	2,088	(2,088)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(28,835)	(711)	28,308	909	329	-	-
Net in-the-money options (in terms of underlying asset)	(71)	-	(123)	204	(10)	-	-
Net out-of-the-money options (in terms of underlying asset)	190	-	(179)	(11)	-	-	-
Grand total	**2,839**	**17,252**	**258**	**2**	**(101)**	**1,934**	**22,184**
Net in-the-money options (capitalized par value)	266	-	(152)	(79)	(35)	-	-
Net out-of-the-money options (capitalized par value)	(372)	-	226	124	22	-	-

(1) Includes linked to foreign currency.
(2) Includes derivative instruments whose base relates to a non-monetary item.
(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Note 14 – Assets and Liabilities by Linkage Basis – continued

As of March 31, 2021 (unaudited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]				
	Non-linked	CPI-linked	USD	EUR	Other currencies	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	82,607	-	7,808	714	263	-	91,392
Securities	10,013	1,872	6,579	520	-	545	19,529
Securities borrowed or bought in conjunction with resale agreements	128	11	-	-	-	-	139
Loans to the public, net[3]	172,415	65,391	5,981	3,837	1,801	114	249,539
Loans to Governments	35	-	375	172	-	-	582
Investments in associated companies	36	-	-	-	-	(18)	18
Buildings and equipment	-	-	-	-	-	1,702	1,702
Intangible assets and goodwill	-	-	-	-	-	231	231
Assets with respect to derivatives	1,569	147	1,654	132	62	79	3,643
Other assets	2,131	519	196	3	33	753	3,635
Total assets	**268,934**	**67,940**	**22,593**	**5,378**	**2,159**	**3,406**	**370,410**
Liabilities							
Deposits from the public	222,172	18,260	44,823	5,824	2,573	114	293,766
Deposits from banks	3,508	-	658	89	38	-	4,293
Deposits from the Government	25	2	17	-	-	-	44
Bonds and subordinated notes	7,066	26,269	-	-	-	-	33,335
Liabilities with respect to derivatives	1,336	50	1,505	159	44	78	3,172
Other liabilities	10,719	2,972	141	7	24	1,626	15,489
Total liabilities	**244,826**	**47,553**	**47,144**	**6,079**	**2,679**	**1,818**	**350,099**
Difference	**24,108**	**20,387**	**(24,551)**	**(701)**	**(520)**	**1,588**	**20,311**
Impact of hedging derivatives:							
Derivative instruments (other than options)	2,409	(2,409)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(25,062)	(786)	24,842	607	399	-	-
Net in-the-money options (in terms of underlying asset)	161	-	(338)	268	(91)	-	-
Net out-of-the-money options (in terms of underlying asset)	(410)	-	507	(100)	3	-	-
Grand total	**1,206**	**17,192**	**460**	**74**	**(209)**	**1,588**	**20,311**
Net in-the-money options (capitalized par value)	(898)	-	820	177	(99)	-	-
Net out-of-the-money options (capitalized par value)	420	-	302	(933)	211	-	-

(1) Includes linked to foreign currency.
(2) Includes derivative instruments whose base relates to a non-monetary item.
(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Note 14 – Assets and Liabilities by Linkage Basis – continued

As of December 31, 2021 (audited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]				
	Non-linked	CPI-linked	USD	EUR	Other currencies	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	87,091	-	7,471	518	187	-	95,267
Securities	6,728	1,469	5,676	434	-	726	15,033
Securities borrowed or bought in conjunction with resale agreements	1,110	222	-	-	-	-	1,332
Loans to the public, net[3]	190,455	69,534	6,395	3,123	1,921	-	271,428
Loans to Governments	74	-	273	130	-	-	477
Investments in associated companies	35	-	-	-	-	34	69
Buildings and equipment	-	-	-	-	-	1,734	1,734
Intangible assets and goodwill	-	-	-	-	-	208	208
Assets with respect to derivatives	2,910	51	549	111	28	3	3,652
Other assets	1,698	523	172	1	21	656	3,071
Total assets	**290,101**	**71,799**	**20,536**	**4,317**	**2,157**	**3,361**	**392,271**
Liabilities							
Deposits from the public	233,149	21,503	44,961	5,574	2,737	-	307,924
Deposits from banks	5,116	-	1,629	224	23	-	6,992
Deposits from the Government	21	2	58	-	-	-	81
Bonds and subordinated notes	6,989	29,177	1,880	-	-	-	38,046
Liabilities with respect to derivatives	2,977	111	534	104	24	3	3,753
Other liabilities	8,880	3,268	212	6	38	1,342	13,746
Total liabilities	**257,132**	**54,061**	**49,274**	**5,908**	**2,822**	**1,345**	**370,542**
Difference	**32,969**	**17,738**	**(28,738)**	**(1,591)**	**(665)**	**2,016**	**21,729**
Impact of hedging derivatives:							
Derivative instruments (other than options)	2,294	(2,294)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(30,482)	(732)	29,070	1,533	611	-	-
Net in-the-money options (in terms of underlying asset)	258	-	(271)	39	(26)	-	-
Net out-of-the-money options (in terms of underlying asset)	(124)	-	104	27	(7)	-	-
Grand total	**4,915**	**14,712**	**165**	**8**	**(87)**	**2,016**	**21,729**
Net in-the-money options (capitalized par value)	(281)	-	132	150	(1)	-	-
Net out-of-the-money options (capitalized par value)	520	-	(403)	(109)	(8)	-	-

(1) Includes linked to foreign currency.
(2) Includes derivative instruments whose base relates to a non-monetary item.
(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Note 15 – Balances and estimates of fair value of financial instruments

Reported amounts (NIS in millions)

1) Information on the fair value of financial instruments is presented below:

A. Fair value balances

	March 31, 2022 (unaudited)				
		Fair value			
	Book balance	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
Financial assets					
Cash and deposits with banks	84,666	18,561	61,509	4,527	84,597
Securities[(3)]	16,967	12,528	4,048	378	16,954
Securities borrowed or purchased under resale agreements	542	542	-	-	542
Loans to the public, net	282,917	2,059	9,301	[(5)]273,667	285,027
Loans to Governments	457	-	-	457	457
Investments in associated companies	109	-	-	109	109
Assets with respect to derivatives	3,353	245	1,602	[(2)]1,506	3,353
Other financial assets	1,133	8	-	1,125	1,133
Total financial assets	**[(4)]390,144**	**33,943**	**76,460**	**281,769**	**392,172**
Financial liabilities					
Deposits from the public	312,653	2,059	115,372	195,457	312,888
Deposits from banks	6,850	-	886	5,964	6,850
Deposits from the Government	66	-	-	66	66
Bonds and subordinated notes	36,045	35,332	2	1,454	36,788
Liabilities with respect to derivatives	2,940	248	1,542	[(2)]1,150	2,940
Other financial liabilities	9,719	1,578	1,830	6,310	9,718
Total financial liabilities	**[(4)]368,273**	**39,217**	**119,632**	**210,401**	**369,250**

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 5 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 95,076 million and NIS 127,914 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 9 million.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

A. Fair value balances – continued:

	March 31, 2021 (unaudited)				
		Fair value			
	Book balance	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
Financial assets					
Cash and deposits with banks	91,392	15,513	61,775	14,104	91,392
Securities[(3)]	19,529	15,053	4,202	332	19,587
Securities borrowed or purchased under resale agreements	139	139	-	-	139
Loans to the public, net	249,539	2,261	9,100	[(5)]240,900	252,261
Loans to Governments	582	-	-	582	582
Investments in associated companies	18	-	-	18	18
Assets with respect to derivatives	3,643	287	1,766	[(2)]1,590	3,643
Other financial assets	1,531	5	-	1,525	1,530
Total financial assets	**[(4)]366,373**	**33,258**	**76,843**	**259,051**	**369,152**
Financial liabilities					
Deposits from the public	293,766	2,155	94,995	198,536	295,686
Deposits from banks	4,293	-	107	4,186	4,293
Deposits from the Government	44	-	-	48	48
Bonds and subordinated notes	33,335	32,821	5	1,812	34,638
Liabilities with respect to derivatives	3,172	283	1,607	[(2)]1,282	3,172
Other financial liabilities	12,035	1,995	5,234	4,809	12,038
Total financial liabilities	**[(4)]346,645**	**37,254**	**101,948**	**210,673**	**349,875**

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 5 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 117,675 million and NIS 131,384 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 9 million.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

A. Fair value balances – continued:

	As of December 31, 2021 (audited)				
		Fair value			
	Book balance	Level 1(1)	Level 2(1)	Level 3(1)	Total
Financial assets					
Cash and deposits with banks	95,267	16,662	71,514	7,093	95,269
Securities(3)	15,033	10,553	4,117	424	15,094
Securities borrowed or purchased under resale agreements	1,332	1,332	-	-	1,332
Loans to the public, net	271,428	1,641	9,423	(5)263,092	274,156
Loans to Governments	477	-	-	477	477
Investments in associated companies	69	-	-	69	69
Assets with respect to derivatives	3,652	320	2,072	(2)1,260	3,652
Other financial assets	1,130	7	-	1,123	1,130
Total financial assets	**(4)388,388**	**30,515**	**87,126**	**273,538**	**391,179**
Financial liabilities					
Deposits from the public	307,924	1,588	107,921	200,501	310,010
Deposits from banks	6,992	-	443	6,549	6,992
Deposits from the Government	81	-	-	81	81
Bonds and subordinated notes	38,046	35,956	3	3,661	39,620
Liabilities with respect to derivatives	3,753	320	2,593	(2)840	3,753
Other financial liabilities	10,193	2,444	1,844	5,905	10,193
Total financial liabilities	**(4)366,989**	**40,308**	**112,804**	**217,537**	**370,649**

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 5 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 102,052 million and NIS 118,615 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 7 million.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value:

1. On recurring basis

	March 31, 2022 (unaudited)			
	Prices quoted on active market (level 1)	**Other significant observed data (level 2)**	**Non-observed significant data (level 3)**	**Total fair value**
Assets				
Bonds available for sale				
Bonds:				
of Government of Israel	4,021	3,528	-	7,549
Of foreign governments	3,681	-	-	3,681
Of banks and financial institutions in Israel	375	22	-	397
Of banks and financial institutions overseas	9	178	23	210
Asset-backed (ABS)	-	35	-	35
Of others in Israel	513	147	22	682
Of others overseas	212	19	3	234
Shares not held for trading	273	103	21	397
Securities held for trading:				
Bonds of the Government of Israel	754	16	-	770
Bondds of Financial Institutions of Israel	6	-	-	6
Bonds of others in Israel	30	-	-	30
Bonds of foreign others	43	-	-	43
Shares held for trading	21	-	-	21
Securities borrowed or purchased in resale agreements	542	-	-	542
Credit with respect to loans to clients	2,059	-	-	2,059
Assets with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	59	47	106
Other	-	706	24	730
Currency contracts	75	813	1,047	1,935
Contracts for shares	168	24	386	578
Commodities and other contracts	2	-	2	4
Other financial assets	8	-	-	8
Other	-	-	8	8
Total assets	**12,792**	**5,650**	**1,583**	**20,025**
Liabilities				
Deposits with respect to borrowing from clients	2,059	-	-	2,059
Liabilities with respect to derivative instruments(1)				
Interest contracts:				
NIS / CPI	-	107	75	182
Other	-	660	83	743
Currency contracts	77	775	943	1,795
Contracts for shares	169	-	42	211
Commodities and other contracts	2	-	7	9
Other financial liabilities	1,578	-	-	1,578
Other	-	-	9	9
Total liabilities	**3,885**	**1,542**	**1,159**	**6,586**

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

1. On recurring basis

				March 31, 2021 (unaudited)
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
of Government of Israel	5,984	3,675	-	9,659
Of foreign governments	2,941	-	-	2,941
Of banks and financial institutions in Israel	135	66	-	201
Of banks and financial institutions overseas	10	197	14	221
Asset-backed (ABS)	4	29	-	33
Of others in Israel	454	213	20	687
Of others overseas	257	22	22	301
Investments in shares not held for trading	256	-	16	272
Securities held for trading:				
Bonds of the Government of Israel	1,384	-	-	1,384
Bonds of financial institutions in Israel	1	-	-	1
Bonds of others in Israel	22	-	3	25
Bonds of foreign others	27	-	-	27
Shares	17	-	-	17
Securities borrowed or purchased in resale agreements	139	-	-	139
Credit with respect to loans to clients	2,261	-	-	2,261
Assets with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	28	51	79
Other	-	644	153	797
Currency contracts	114	1,094	1,119	2,327
Contracts for shares	173	-	260	433
Commodities and other contracts	-	-	7	7
Other financial assets	5	-	-	5
Other	-	-	9	9
Total assets	**14,184**	**5,968**	**1,674**	**21,826**
Liabilities				
Deposits with respect to borrowing from clients	2,155	-	-	2,155
Liabilities with respect to derivative instruments(1)				
Interest contracts:				
NIS / CPI	-	42	61	103
Other	-	766	206	972
Currency contracts	110	795	939	1,844
Contracts for shares	173	4	69	246
Commodities and other contracts	-	-	7	7
Other financial liabilities	1,995	-	-	1,995
Other	-	-	4	4
Total liabilities	**4,433**	**1,607**	**1,286**	**7,326**

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

1. On recurring basis

	As of December 31, 2021 (audited)			
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
of Government of Israel	3,638	3,676	-	7,314
Of foreign governments	2,035	-	-	2,035
Of banks and financial institutions in Israel	292	34	-	326
Of banks and financial institutions overseas	9	142	26	177
Asset-backed (ABS)	-	6	-	6
Of others in Israel	518	175	19	712
Of others overseas	221	20	12	253
Shares not held for trading	277	64	15	356
Securities held for trading:				
Bonds of the Government of Israel	473	-	-	473
Bonds of financial institutions in Israel	4	-	-	4
Bonds of others in Israel	24	-	-	24
Bonds of foreign others	49	-	-	49
Shares held for trading	20	-	-	20
Securities borrowed or purchased in resale agreements	1,332	-	-	1,332
Credit with respect to loans to clients	1,641	-	-	1,641
Assets with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	34	39	73
Other	-	450	78	528
Currency contracts	73	1,552	718	2,343
Contracts for shares	247	36	423	706
Commodities and other contracts	-	-	2	2
Other financial assets	7	-	-	7
Other	-	-	7	7
Total assets	**10,860**	**6,189**	**1,339**	**18,388**
Liabilities				
Deposits with respect to borrowing from clients	1,588	-	-	1,588
Liabilities with respect to derivative instruments(1)				
Interest contracts:				
NIS / CPI	-	71	46	117
Other	-	563	117	680
Currency contracts	73	1,954	665	2,692
Contracts for shares	247	-	12	259
Commodities and other contracts	-	5	-	5
Other financial liabilities	2,444	-	-	2,444
Other	-	-	-	-
Total liabilities	**4,352**	**2,593**	**840**	**7,785**

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

2. On non-recurring basis

	March 31, 2022 (unaudited)				For the three months ended March 31, 2022
	Fair value				
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains
Impaired credit whose collection is contingent on collateral	-	5	56	61	(2)
Investments in shares for which no fair value is available	-	-	307	307	7

	March 31, 2021 (unaudited)				For the three months ended March 31, 2021
	Fair value				
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains (losses)
Impaired credit whose collection is contingent on collateral	-	6	163	169	3
Investments in shares for which no fair value is available	-	-	256	256	5

	As of December 31, 2021 (audited)				For the year ended December 31, 2021
	Fair value				
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains (losses)
Impaired credit whose collection is contingent on collateral	-	6	161	167	29
Investments in shares for which no fair value is available	-	-	350	350	42

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3:

	For the three months ended March 31, 2022 (Unaudited)									
		Net realized / unrealized gains (losses) included[1]								
	Fair value as of December 31, 2021	In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisitions	Sales	Dispositions	Transfer to level 3[3]	Transfers from Level 3[3]	Fair value as of March 31, 2022	Unrealized gains (losses) with respect to instruments held as of March 31, 2022
Assets										
Securities available for sale										
Bonds:										
Of foreign financial institutions	26	-	-	-	(3)	-	-	-	23	-
Of others in Israel	19	-	3	-	-	-	-	-	22	4
Of others overseas	12	-	-	-	-	(9)	-	-	3	-
Securities held for trading										
Of others in Israel	-	-	-	-	-	-	-	-	-	-
Shares not held for trading	15	6	-	-	-	-	-	-	21	6
Assets with respect to derivatives[2]										
Interest contracts:										
NIS / CPI	39	9	-	1	-	(13)	11	-	47	24
Other	78	(57)	-	4	-	(1)	-	-	24	5
Currency contracts	718	115	-	520	-	(306)	-	-	1,047	386
Contracts for shares	423	90	-	25	-	(152)	-	-	386	-
Commodities and other contracts	2	-	-	-	-	-	-	-	2	-
Other	7	1	-	-	-	-	-	-	8	-
Total assets	**1,339**	**164**	**3**	**550**	**(3)**	**(481)**	**11**	**-**	**1,583**	**425**
Liabilities										
Liabilities with respect to derivative instruments[2]										
Interest contracts:										
NIS / CPI	46	28	-	3	-	(10)	8	-	75	(37)
Other	117	(35)	-	2	-	(1)	-	-	83	(41)
Currency contracts	665	224	-	534	-	(480)	-	-	943	(598)
Contracts for shares	12	1	-	40	-	(11)	-	-	42	-
Commodities and other contracts	-	7	-	-	-	-	-	-	7	-
Other	-	9	-	-	-	-	-	-	9	-
Total liabilities	**840**	**234**	**-**	**579**	**-**	**(502)**	**8**	**-**	**1,159**	**(676)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3:

	For the three months ended March 31, 2021 (Unaudited)								
		Net realized / unrealized gains (losses) included[(1)]							
	Fair value as of December 30, 2020	In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisitions	Sales	Dispositions	Transfer to level 3[(3)]	Fair value as of March 31, 2021	Unrealized gains (losses) with respect to instruments held as of March 31, 2021
Assets									
Securities available for sale									
Bonds:									
Of foreign financial institutions	5	-	-	-	-	(2)	11	14	-
Of others in Israel	19	-	1	-	-	-	-	20	1
Of others overseas	-	-	-	-	-	-	22	22	-
Securities held for trading									
Of others in Israel	3	-	-	-	-	-	-	3	-
Shares not held for trading	16	-	-	-	-	-	-	16	-
Assets with respect to derivatives[(2)]									
Interest contracts:									
NIS / CPI	59	(15)	-	-	-	(33)	40	51	19
Other	162	(9)	-	-	-	-	-	153	157
Currency contracts	1,337	(247)	-	660	-	(631)	-	1,119	567
Contracts for shares	189	87	-	43	-	(59)	-	260	-
Commodities and other contracts	8	7	-	-	-	(8)	-	7	1
Other	9	-	-	-	-	-	-	9	-
Total assets	**1,807**	**(177)**	**1**	**703**	**-**	**(733)**	**73**	**1,674**	**745**
Liabilities									
Liabilities with respect to derivative instruments[(2)]									
Interest contracts:									
NIS / CPI	48	(4)	-	5	-	(12)	24	61	45
Other	215	(2)	-	-	-	(7)	-	206	(187)
Currency contracts	1,287	(90)	-	594	-	(852)	-	939	(478)
Contracts for shares	93	10	-	14	-	(48)	-	69	-
Commodities and other contracts	9	(2)	-	-	-	-	-	7	(1)
Other	6	(2)	-	-	-	-	-	4	-
Total liabilities	**1,658**	**(90)**	**-**	**613**	**-**	**(919)**	**24**	**1,286**	**(621)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3 – Continued:

	For the year ended December 31, 2021 (audited)									
		Net realized / unrealized gains (losses) included[1]								
	Fair value as of December 31, 2020	In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisitions	Sales	Dispositions	Transfer to level 3[3]	Transfers from Level 3[3]	Fair value as of December 31, 2021	Unrealized gains (losses) with respect to instruments held as of December 31, 2021
Assets										
Securities available for sale										
Bonds:										
Of foreign financial institutions	5	(1)	-	-	-	(2)	24	-	26	(1)
Of others in Israel	19	-	(1)	-	-	(10)	11	-	19	(2)
Of others overseas	-	-	1	-	-	-	11	-	12	-
Securities held for trading										
Of others in Israel	3	-	-	-	-	(3)	-	-	-	-
Shares not held for trading	16	(1)	-	-	-	-	-	-	15	(1)
Assets with respect to derivatives[2]										
Interest contracts:										
NIS / CPI	59	(27)	-	10	-	(46)	43	-	39	21
Other	162	(86)	-	8	-	(6)	-	-	78	74
Currency contracts	1,337	23	-	1,431	-	(2,073)	-	-	718	549
Contracts for shares	189	492	-	107	-	(365)	-	-	423	-
Commodities and other contracts	8	3	-	-	-	(9)	-	-	2	-
Other	9	(2)	-	-	-	-	-	-	7	-
Total assets	**1,807**	**401**	**-**	**1,556**	**-**	**(2,514)**	**89**	**-**	**1,339**	**640**
Liabilities										
Liabilities with respect to derivative instruments[2]										
Interest contracts:										
NIS / CPI	48	(10)	-	10	-	(41)	39	-	46	-
Other	215	(53)	-	4	-	(49)	-	-	117	(64)
Currency contracts	1,287	99	-	1,123	-	(1,844)	-	-	665	(315)
Contracts for shares	93	8	-	32	-	(121)	-	-	12	-
Commodities and other contracts	9	(8)	-	-	-	(1)	-	-	-	-
Other	6	(6)	-	-	-	-	-	-	-	-
Total liabilities	**1,658**	**30**	**-**	**1,169**	**-**	**(2,056)**	**39**	**-**	**840**	**(379)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

D. Additional information about non-observed significant data and valuation techniques used in fair value measurement of items classified at Level 3:

	Fair value as of March 31, 2022	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	21	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of others in Israel	2	Cash flows discounting	Price	5.60-59.06	16.18
	10	NAV (Net Asset Value) model	Price	63.5	63.5
Bonds of foreign others	3	Cash flows discounting	Price	15.00-72.50	24.47
Securities held for trading					
Bonds of others in Israel	2	Cash flows discounting	Price		7.54
Assets with respect to derivative instruments:					
NIS / CPI	25	Cash flows discounting	Inflationary expectations	3.40%-0.13%	0.94%
Foreign currency	39	Cash flows discounting	Counter-party credit quality	0	
Contracts for shares	643	Options pricing model	Standard deviation per share	121.83% - 30.35%	117.26%
Commodities and other contracts	-	Cash flows discounting	Counter-party credit quality		
Other	807	Cash flows discounting	Counter-party credit quality	2.65%-0.30%	1.77%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	52	Cash flows discounting	Inflationary expectations	3.34% - 2.65%	2.78%
Other	1,107	Cash flows discounting	Counter-party credit quality	3.6%-0.30%	1.67%

	Fair value as of March 31, 2021	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	16	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of others in Israel	14	Cash flows discounting	Price	101.08 - 5.60	59.37
	6	Cash flows discounting	Discount rate	36.79	3679.00%-
Bonds of foreign others	11	NAV (Net Asset Value) model	Price	88.01 - 18.56	56.71
Securities held for trading					
Bonds of others in Israel	3	Cash flows discounting	Price	101.08 - 35.93	8831.00%
Assets with respect to derivative instruments:					
NIS / CPI	31	Cash flows discounting	Inflationary expectations	1.38% - 0.00%	0.28%
Foreign currency	23	Cash flows discounting	Counter-party credit quality	16.87% - 0.13%	0.35%
Contracts for shares	377	Options pricing model	Standard deviation per share	49.42% - 30.26%	37.41%
Commodities and other contracts	1	Cash flows discounting	Counter-party credit quality	0.17% - 0.13%	0.16%
Other	1,168	Cash flows discounting	Counter-party credit quality	3.30% - 0.30%	1.74%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	34	Cash flows discounting	Inflationary expectations	3.42% - 1.15%	1.38%
Other	1,252	Cash flows discounting	Counter-party credit quality	2.85% - 0.30%	1.80%

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

D. Additional information about non-observed significant data and valuation techniques used in fair value measurement of items classified at Level 3 - cont.:

	Fair value as of December 31, 2021	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	15	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of others in Israel	1	Cash flows discounting	Price	5.60-56.33	8.43
	8	NAV (Net Asset Value) model	Price	4781.00%	4781.00%
Bonds of foreign others	12	Cash flows discounting	Price	19.00-96.00	6157.00%
Assets with respect to derivative instruments:					
NIS / CPI	21	Cash flows discounting	Inflationary expectations	5.20%-2.20%	2.30%
Foreign currency	30	Cash flows discounting	Counter-party credit quality	16.87%-0.13%	0.57%
Contracts for shares	31	Options pricing model	Standard deviation per share	42.41% - 34.26%	40.31%
Other	1,185	Cash flows discounting	Counter-party credit quality	3.60%-0.30%	1.77%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	36	Cash flows discounting	Inflationary expectations	2.31%-1.56%	2.25%
Other	804	Cash flows discounting	Counter-party credit quality	2.60%-0.30%	1.67%

E. Information regarding uncertainty of fair value measurements to changes in unobserved data

The main valuation technique of significant unobserved data used in measurement of fair value of assets and liabilities at Level 3 is Discounted Cash Flow. The future cash flows for the instrument is derived from the agreement with the counter-party. The discount rate used to discount the cash flow reflects the Bank's assumptions.

The primary unobserved data used in measurement of fair value of bonds is the price of the bonds.

F. Election of fair value option

Should the Bank elect the fair value option, changes to fair value of investments in certain bonds would be recorded to profit and loss, with bonds classified under the portfolio held for trading, although they had not been purchased for this purpose.

The election of the fair value option was made under the following circumstances:

1. Reduce volatility in profit and loss resulting from changes between the original measurement basis of financial instruments designated at the fair value option, and the measurement basis of derivative financial instruments used to manage risks with respect to such investments.
2. Complexity of implementing hedge accounting.
3. More accurate economic presentation of assets managed on fair value basis.

As of March 31, 2022, March 31, 2021 and December 31, 2021, the Bank did not select the fair value option.

Note 16 – Events after the balance sheet date

On April 11, 2022, after the balance sheet date, Tefahot Issuance issued two new debenture series, Series 63 and 64, NIS-denominated and CPI-linked, amounting to NIS 1.2 billion each, for total consideration amounting to NIS 2.4 billion.

Bank Mizrahi Tefahot

Corporate governance, audit, other information about the Bank and its management

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Corporate governance

Board of Directors and management

Board of Directors

During the first quarter of 2022, the Bank Board of Directors held 5 plenary meetings. Furthermore, in this quarter 16 meetings of Board committees and 2 Board member workshops took place.

In the first quarter of 2022 through the issue date of the financial statements, there were no changes in composition of the Board of Directors nor of Board committees.

Bank management and senior officers

Ms. Shevy Shemer, CEO of Union Bank in the past three years, was appointed VP, Manager of the Retail Division of the Bank as from April 1, 2022, replacing Mr. Israel Engel who concluded their term in office.

Internal Auditor

Information about Internal Audit at the Group, including professional standards applied by Internal Audit, the annual and multi-annual work plan and considerations in setting this plan, the scope of work of the Internal Auditor and their team and reporting of the Internal Auditor's findings are provided in chapter "Corporate governance, audit, other information about the Bank and its management" of the 2021 annual report.

In the reported period there were no material changes to this information.

Transactions with controlling shareholders and related parties

Transactions with related parties were conducted in the normal course of business, at market terms and at terms and conditions similar to those of transactions with parties not related to the Bank.

Legislation and supervisory directives applicable to Bank Group operations

Laws and regulations

Financial Information Services Law, 2021

In November 2021, as part of the Economic Plan Law (Legislation amendments for implementation of economic policy for 2021 and 2022 budget years), 2021, the Knesset passed the Financial Information Services Law, 2021. The Law would become effective on June 14, 2022, but an earlier effective start date has been specified for parts thereof.

The Law complements and expands an arrangement set by the Bank of Israel in Proper Conduct of Banking Business Directive 368 regarding "Open banking".

The Law primarily governs financial information services, including collection of financial information, delivery of financial information to another part and use of financial information for the following services: Providing summary financial information for a client or anyone on behalf thereof; cost comparison service; brokerage; advisory service with regard to economic conduct; providing an offer by the service provider to contract with the client with regard to a financial product or a financial service.

Information about a client account holder may only be provided with consent of the client. The Law governs how such consent must be obtained and the scope of information to be provided, based on "information baskets" specified in the Law.

The Law imposes mandatory provision of information for several types of information sources, and expands the scope of the arrangement set forth in Proper Conduct of Banking Business Directive 368, such that now this requirement applies not only to banking corporations, but also to institutional investors, Stock Exchange members, portfolio managers, licensed providers of credit services, credit brokerage or credit and deposit services. Typically, such information is provided free of charge.

The Law requires mandatory licensing of financial information service providers. The mandatory licensing does not apply to financial entities which are information sources, including banking corporations, but they are required to obtain approval from the relevant regulator (in the case of the Bank – from the Bank of Israel). Subject to such approval, the Bank may also provide financial information services. The Bank has applied to the Bank of Israel for such approval.

The Law imposes on financial information service providers fiduciary duty and duty of care, mandatory non-disclosure and information security, and further stipulates provisions to avoid conflict of interest, misleading and undue influence. A written agreement with the client, including proper disclosure, is required. The Law also imposes liability for defective information. The Law stipulates sanctions for certain breaches by service providers or by information sources.

The Bank is preparing to implement the provisions of the Law.

Revision of the Law has no material impact on the Bank's financial statements.

Supervisor of Banks

Circulars and public reporting directives

Transition from LIBOR interest

A decision was made to discontinued use of LIBOR for all currencies other than USD by end of 2021. Further to this decision, diverse teams have been set up around the world, in order to determine alternative interest rate benchmarks.

The discontinuation of the use of LIBOR and transition to alternative interest rate benchmarks has wide-ranging implications for all bank clients who hold instruments denominated in or linked to foreign currency and bearing variable interest. There are, naturally, also direct implications for the Bank, such as economic, operating and accounting implications.

On September 30, 2021, the Bank of Israel issued a circular regarding transition from LIBOR interest rates (Proper Conduct of Banking Business Directive 250A). In early 2022, the financial system is expected to discontinue using LIBOR interest rates. The directive includes guidelines for the transition to using alternative interest rates, handling of existing agreements and informing clients. This interim directive is effective as from two weeks after being issued, through December 31, 2023.

The Bank has implemented the Bank of Israel directives on this matter and specified alternative underlying interest rates and has informed the clients of this, both through individual contact with relevant clients and through publications on the Bank website.

Application of this directive has no material impact on the Bank's financial statements.

For more information see Note 1 to the Bank's financial statements.

Open Banking standard implementation in Israel

On February 24, 2020, the Bank of Israel issued a circular containing Proper Conduct of Banking Business Directive 368 "Implementation of Open Banking Standard". The circular describes the evolution of open banking around the world and the standards created, and elaborates legislation in Israel that has resulted in the Supervisor of Banks promoting the open banking project and issuing a directive in this regard. The directive includes instruction for implementation of the open banking standard, rules for quality of service and client consent, and guidelines for information architecture and security. The directive applies to banks and credit card companies operating in Israel, with respect to individual accounts. The directive further stipulates instruction with respect to corporate governance, including responsibilities of the Board of Directors and senior management in setting policy, appropriate resource allocation and supervision of implementation of the management framework for open banking. The effective start date of this directive is December 31, 2020, except for information about debit cards which is effective as from July 1, 2021 and information about credit, deposits and securities which is effective as from December 31, 2021.

On April 7, 2020, the Bank of Israel issued a circular in view of developments in the Corona Virus outbreak, with revised effective start dates for Proper Conduct of Banking Business Directive 368. The effective start date of this directive was revised to March 31, 2021; the effective start date for information about debit cards was revised to October 10, 2021 and the effective start date for information about credit, deposits and securities was revised to March 31, 2022.

On April 5, 2021, the Bank of Israel issued a circular which delays by a few months the planned implementation, in order to allow for proper reference to various issues raised during preparations for implementation, due to the wish to establish the open banking system. Stage 2 was delayed to January 31, 2022 (from October 10, 2021) and stage 3 was delayed to May 31, 2022 (from March 31, 2022). This delay should allow the banking system to stabilize the services in the system, so that system availability would be robust and its services would provide a response for market demand.

On January 17, 2022, the Bank of Israel issued a circular regarding "Implementation of open banking standard in Israel", which updates the effective start dates of mandatory provision of access to information about client activity in debit cards, and mandatory provision of access to the client's checking account for payment initiation, as stipulated in the directive. The schedules for providing access to information about borrowing and deposits were aligned with those set forth in the

Law. The effective start date for information about debit cards and payment initiation was revised to March 31, 2022, and the effective start date for information about credit, savings and deposits was revised to October 31, 2022.

On February 23, 2022, the Bank of Israel issued a circular regarding implementation of open banking standard in Israel, amending the directive to align it with provisions set forth in the Financial Information Service Law. The effective start date of the directive is the same as that of the Law. As from June 30, 2023, Chapter H of Proper Conduct of Banking Business Directive 367 would no longer apply to individual accounts, and would continue to apply for information summary services for corporate clients through December 31, 2024.

Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)

On March 19, 2020, the Bank of Israel issued a circular containing Proper Conduct of Banking Business Directive 250 "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)". The directive lists multiple relief measures formulated into an interim directive, in view of the Corona Virus outbreak and its economic implications in Israel and overseas. The adjustments in the directive are designed to provide banks with business flexibility required at this time. Further adjustments to the directive were issued in circulars dated March 31, 2020, April 1, 2020, April 7, 2020, April 27, 2020, May 5, 2020, May 20, 2020, June 1, 2020, June 23, 2020, September 16, 2020, September 22, 2020, November 15, 2020, December 3, 2020, December 17, 2020, January 7, 2021, March 22, 2021, July 19, 2021, July 26, 2021, August 9, 2021, September 30, 2021, December 2, 2021 and January 18, 2022. The Bank has applied some of the relief measures listed in the directive, as well as further relief measures based on the Bank's business decisions, including the following:

- Suspension of account and account holder restriction due to checks refused for insufficient funds, as from March 4, 2020 (this suspension was terminated in view of instruction to terminate the suspension period).
- Debit card issue to clients that do not hold a debit card and withdraw their allowance at the branch (this was issued as a non-recurring measure).
- Implementation of instructions with regard to reduced branch opening hours and to reduced operations and movement in the public space (these instructions were gradually rescinded later on, in view of relief made public by the Government. All branches in the banking system were opened to the public and provide all services as provided prior to the crisis. A circular dated January 18, 2022 due to a renewed outbreak of the virus included revised directives with regard to limited branch opening and service provision to clients.
- Relief for restrictions on extending residential mortgages (relief concluded) and on dates for issue of letter of intent and settlement confirmation (elimination of interim directive which allowed the Bank to approve general purpose loans with LTV up to 70%, rather than LTV up to 50%).
- A circular dated December 27, 2021 noted that as from January 1, 2022, the interim directive would expire, except for specific provisions, including revision of Directive 329 with regard to "Restrictions on extending residential mortgages" with respect to calculation of capital requirement.
- Relief for E-banking, providing instructions by telephone and giving precedence in queues to senior citizens (On December 30, 2020, an amendment to Directive 426 with regard to "Providing professional call center service" amended the age of clients to be given precedence in queues, from 75 to 70, under routine conditions as well).
- Delay in repayment of commercial loans and residential mortgages (due to continuation of the Corona Virus pandemic and expansion of the outline to delay loan repayments, on September 30, 2020 the Bank of Israel issued a circular adding reporting directive 889C "Reporting of repayment delay under unusual condition (monthly)".
- On October 11, 2020 and on December 3, 2020, the Supervisor of Banks issued supervisory highlights concerning further changes to loan terms and conditions and regarding the additional outline for repayment delay as part of the Corona Virus pandemic, with regard to risk management, public reporting, classification and internal control.

Implementation of this circular had no material impact on the Bank's financial statements.

Procedures for extending residential mortgages

On January 31, 2022, the Bank of Israel issued a circular regarding procedures for extending residential mortgages (Proper Conduct of Banking Business Directive 451). The directive stipulates uniform baskets which banking corporations are required to offer to clients. The directive stipulates that the approval in principle would also include 3 uniform baskets, which differ in risk level and frequency. The amendments to the directive include an instruction to banking corporations to provide to the public an online calculator which allows for simulation of various loan mixes over various time frames, including the uniform tracks stipulated in the directive, so as to obtain an estimate of the impact of changes to the loan mix on the monthly payment and total amount payable throughout the loan term.

The effective start date of amendments to this directive is August 31, 2022, and banking corporations may act pursuant to this directive even prior to said effective start date. The Bank is preparing to implement the directive.

Bank's credit rating

On January 23, 2022, S&P GLOBAL RATINGS MAALOT LTD (hereinafter: "Maalot") approved the Bank's issuer rating of ilAAA / Stable outlook. According to the rating agency: "The rating takes into consideration our assessment, whereby Mizrahi-Tefahot would maintain in the coming years strong capital base and revenues, high asset quality and good operating efficiency".

contingent subordinated notes with contractual loss-absorption provisions (CoCo), which qualify as Tier II equity in conformity with provisions of Basel III, are rated ilAA- by Maalot.

On August 22, 2021, Midroog Ltd. (created in partnership with Moody's International, which owns a 51% equity stake) (hereinafter: "Midroog") left the Bank ratings unchanged. Long-term deposits and senior debt of the Bank are rated Aaa.il / Stable outlook.

Contingent subordinated notes with contractual loss-absorption provisions (CoCo), which qualify as Tier II equity in conformity with provisions of Basel III, are rated Aa3.il / Stable outlook.

On September 30, 2020, Moody's Investors Services rating agency confirmed the Bank's long-term deposit rating at A2 with Stable outlook.

On January 20, 2022, rating agency S&P Global Ratings (hereinafter: "S&P") confirmed the long-term issuer credit rating of A- and the short-term issuer credit rating of A-2. Stable rating outlook. Moreover, the agency confirmed the BBB- rating of contingent subordinated notes with loss-absorption provisions which qualify as Tier II equity, issued by the Bank on April 7, 2021 by international private placement to institutional investors.

On January 12, 2022, rating agency Fitch Ratings (hereinafter: "Fitch") confirmed the Bank's long-term IDR rating of A with Stable outlook, and the Bank's short-term rating of F1+, and also confirmed the BBB rating of subordinated notes with loss-absorption provisions.

Operating segments

For extensive information about supervisory operating segments, see chapter "Corporate governance, audit, other information about the Bank and its management" of the 2021 financial statements.

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof[(1)]

Reported amounts (NIS in millions)

A. Average balances and interest rates – assets

	For the three months ended March 31, 2022			For the three months ended March 31, 2021		
	Average balance[(2)]	Interest revenues	Revenue rate	Average balance[(2)]	Interest revenues	Revenue rate
			in %			in %
Interest-bearing assets						
Loans to the public[(3)]						
In Israel	266,952	[(7)]2,998	4.49	239,048	[(7)]2,096	3.51
Outside of Israel	4,373	52	4.76	3,420	44	5.15
Total	**271,325**	**3,050**	**4.50**	**242,468**	**2,140**	**3.53**
Loans to the Government						
In Israel	351	2	2.28	245	-	-
Outside of Israel	110	2	7.27	372	3	3.23
Total	**461**	**4**	**3.47**	**617**	**3**	**1.94**
Deposits with banks						
In Israel	2,059	1	0.19	1,663	1	0.24
Outside of Israel	196	-	-	173	-	-
Total	**2,255**	**1**	**0.18**	**1,836**	**1**	**0.22**
Deposits with central banks						
In Israel	79,431	22	0.11	74,571	18	0.10
Outside of Israel	9,282	4	0.17	11,704	3	0.10
Total	**88,713**	**26**	**0.12**	**86,275**	**21**	**0.10**
Securities borrowed or purchased in resale agreements						
In Israel	1,115	-	-	144	-	-
Outside of Israel	-	-	-	-	-	-
Total	**1,115**	**-**	**-**	**144**	**-**	**-**
Bonds held to maturity and available for sale[(4)]						
In Israel	13,822	59	1.71	16,309	39	0.96
Outside of Israel	918	2	0.87	672	2	1.19
Total	**14,740**	**61**	**1.66**	**16,981**	**41**	**0.97**
Bonds held for trading[(5)]						
In Israel	620	2	1.29	527	2	1.52
Outside of Israel	-	-	-	-	-	-
Total	**620**	**2**	**1.29**	**527**	**2**	**1.52**
Total interest-bearing assets	**379,229**	**3,144**	**3.32**	**348,848**	**2,208**	**2.53**
Receivables for credit card operations	4,054			4,354		
Other non-interest bearing assets[(6)]	4,243			4,232		
Total assets	**387,526**			**357,434**		
Total interest-bearing assets attributed to overseas operations	**14,879**	**60**	**1.61**	**16,341**	**52**	**1.27**

See footnotes below.

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[1] – Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – liabilities and equity

	For the three months ended March 31, 2022			For the three months ended March 31, 2021		
	Average balance[2]	Interest expenses (revenues)	Expense (revenue) rate	Average balance[2]	Interest expenses (revenues)	Expense (revenue) rate
			in %			in %
Interest-bearing liabilities						
Deposits from the public						
In Israel						
On-call	48,236	14	0.12	43,461	24	0.22
Term deposits	149,313	572	1.53	143,151	338	0.94
Outside of Israel						
On-call	489	-	-	807	-	-
Term deposits	4,007	3	0.30	3,600	1	0.11
Total	**202,045**	**589**	**1.17**	**191,019**	**363**	**0.76**
Deposits from the Government						
In Israel	60	-	-	53	-	-
Outside of Israel	-	-	-	-	-	-
Total	**60**	**-**	**-**	**53**	**-**	**-**
Deposits from banks						
In Israel	6,861	1	0.06	4,281	1	0.09
Outside of Israel	-	-	-	-	-	-
Total	**6,861**	**1**	**0.06**	**4,281**	**1**	**0.09**
Securities loaned or sold in re-purchase agreements						
In Israel	-	-	-	-	-	-
Outside of Israel	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Bonds and subordinated notes						
In Israel	36,072	410	4.55	33,307	153	1.84
Outside of Israel	-	-	-	-	-	-
Total	**36,072**	**410**	**4.55**	**33,307**	**153**	**1.84**
Other liabilities						
In Israel	927	-	-	508	-	-
Outside of Israel	-	-	-	-	-	-
Total	**927**	**-**	**-**	**508**	**-**	**-**
Total interest-bearing liabilities	**245,965**	**1,000**	**1.63**	**229,168**	**517**	**0.90**
Non-interest bearing deposits from the public	105,195			94,827		
Payables for credit card transactions	4,094			4,421		
Other non-interest bearing liabilities[8]	10,096			8,931		
Total liabilities	**365,350**			**337,347**		
Total equity instruments	**22,176**			**20,087**		
Total liabilities and equity instruments	**387,526**			**357,434**		
Interest spread			**1.69**			**1.63**
Net return on interest-bearing assets[9]						
In Israel	364,350	2,087	2.29	332,507	1,640	1.97
Outside of Israel	14,879	57	1.53	16,341	51	1.25
Total	**379,229**	**2,144**	**2.26**	**348,848**	**1,691**	**1.94**
Total interest-bearing liabilities attributed to overseas operations	**4,496**	**3**	**0.27**	**4,407**	**1**	**0.09**

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[1] – Continued

Reported amounts (NIS in millions)

B. Average balances and interest rates – Further information about interest-bearing assets and liabilities attributed to operations in Israel

	For the three months ended March 31, 2022			For the three months ended March 31, 2021		
	Average balance[2]	Interest expenses (revenues)	Expense (revenue) rate	Average balance[2]	Interest expenses (revenues)	Expense (revenue) rate
			in %			in %
Israeli currency – non-linked						
Total interest-bearing assets	271,881	1,655	2.43	250,774	1,448	2.31
Total interest-bearing liabilities	160,295	(167)	(0.42)	156,962	(207)	(0.53)
Interest spread			**2.02**			**1.78**
Israeli currency – linked to the CPI						
Total interest-bearing assets	75,298	1,341	7.12	67,784	624	3.68
Total interest-bearing liabilities	54,203	(773)	(5.70)	47,365	(260)	(2.20)
Interest spread			**1.42**			**1.49**
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest-bearing assets	17,171	88	2.05	13,949	84	2.41
Total interest-bearing liabilities	26,971	(57)	(0.85)	20,434	(49)	(0.96)
Interest spread			**1.20**			**1.45**
Total – operations in Israel						
Total interest-bearing assets	364,350	3,084	3.39	332,507	2,156	2.59
Total interest-bearing liabilities	241,469	(997)	(1.65)	224,761	(516)	(0.92)
Interest spread			**1.73**			**1.68**

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[1] – Continued

Reported amounts (NIS in millions)

C. Analysis of changes to interest revenues and expenses

	Three months ended March 31, 2022 vs. three months ended March 31, 2021		
	Increase (decrease) due to change[10]		
	Volume	**Price**	**Net change**
Interest-bearing assets			
Loans to the public			
In Israel	313	589	902
Outside of Israel	11	(3)	8
Total	**324**	**586**	**910**
Other interest-bearing assets			
In Israel	3	23	26
Outside of Israel	(2)	2	-
Total	**1**	**25**	**26**
Total interest revenues	**325**	**611**	**936**
Interest-bearing liabilities			
Deposits from the public			
In Israel	32	192	224
Outside of Israel	-	2	2
Total	**32**	**194**	**226**
Other interest-bearing liabilities			
In Israel	54	203	257
Outside of Israel	-	-	-
Total	**54**	**203**	**257**
Total interest expenses	**86**	**397**	**483**

(1) Information in these tables is after effect of hedging derivative instruments.
(2) Based on balance at start of month (in Israeli currency – non-linked segment: based on daily balances).
(3) Before deduction of average balance sheet balance of provisions for credit losses. Includes impaired debt not accruing interest revenues.
(4) From the average balance of bonds available for sale, for the three-month periods ended March 31, 2022 and March 31, 2021, we (added) deducted the average balance of unrealized (loss) gain from adjustment to fair value of bonds available for sale, included in equity under Other Comprehensive Income, under "Adjustments with respect to presentation of securities available for sale at fair value", amounting to NIS (123) million and NIS (13) million, respectively.
(5) From the average balance of bonds held for trading, for the three-month periods ended March 31, 2022 and March 31, 2021, we (added) deducted the average balance of unrealized (loss) gain from adjustment to fair value of bonds held for trading, amounting to NIS 1 million and NIS (2) million.
(6) Includes derivative instruments, other non-interest bearing assets, net of provision for credit losses.
(7) Commissions amounting to NIS 219 million and NIS 142 million included under interest revenues for the three-month periods ended March 31, 2022 and 2021, respectively.
(8) Includes derivative instruments.
(9) Net return – net interest revenues divided by total interest-bearing assets.
(10) The change attributed to change in volume was calculated by multiplying the new price and the change in volume. The change attributed to change in price was calculated by multiplying the old volume and the change in price.

Glossary and index of terms included on the financial statements

Below is a summary of terms included on the financial statements:

Terms with regard to risks management at the Bank and to capital adequacy

B	**Basel – Basel II / Basel III** – Framework for assessment of capital adequacy and risk management, issued by the Basel Committee on Bank Supervision.
C	**CVA - Credit Valuation Adjustment** – CVA is the component of the fair value of a derivative, which accounts for the credit risk of the counter-party to the transaction. CVA risk is the risk of loss due to mark-to-market with respect to expected counter-party risk for OTC derivatives. This means – loss due to impairment of fair value of derivatives, due to an increase in counter-party credit risk (such as: lower rating).
	Counter-party credit risk – The risk that the other party to a transaction would be in default before final settlement of cash flows in the transaction.
E	**EVE – Economic Value of Equity** – The economic value approach to analysis and estimation of the effect of changes in interest rates on the fair value of assets, liabilities and off-balance sheet positions of the Bank.
I	**ICAAP** – **Internal Capital Adequacy Assessment Process** by the Bank. This process includes, *inter alia*, setting capital targets, capital planning processes and review of capital status under various stress scenarios. This process is part of Pillar 2 of the Basel II directive.
L	**Loan To Value Ratio (LTV)** – The ratio between the approved facility when extended and the asset value.
	LGD (Loss Given Default) – Loss as percentage of credit should the client go into default.
M	**Minimum capital ratio** – This ratio reflects the minimum supervisory capital requirements which the Bank is required to maintain in conformity with Proper Conduct of Banking Business Directive 201.
P	**Pillar 2** – The second pillar of the Basel II project, refers to the Supervisory Review Process. This part consists of the following basic principles: The Bank shall conduct the ICAAP process, as defined above. The Supervisor shall conduct a process to assess the ICAAP process conducted by the Bank, to review the Bank's capacity to monitor and achieve supervisory capital ratios. The Bank is expected to operate above the specified minimum capital ratios.
	Pillar 3 – The third pillar of the Basel II project, designed to promote market discipline by developing a set of disclosure requirements, which would allow market participants to assess the capital, risk exposure and risk assessment processes – and use these to assess the Bank's capital adequacy.
	PD (Probability Of Default) – Probability in percent of a borrower going into default within a specified time.
R	**Risks document –** A document which concisely presents the Bank's risk profile, in order to allow the Board of Directors to monitor action taken by management and to ensure that such action is in line with the risk appetite and with the risks management framework approved by the Board of Directors. The Risks Document is compiled and presented to the Board of Directors quarterly.
	Risk assets – These consist of credit risk, operational risk and market risk, calculated using the standard approach as stated in Proper Conduct of Banking Business Directives 201-211.
S	**Standard approach –** An approach used to calculate the required capital with respect to credit risk, market risk or operational risk. Calculation of capital allocation is based on a formula, which is based on supervisory assessment components which have been specified by the Supervisor of Banks.
	Supervisory capital (total capital) – Supervisory capital consists of two tiers: Tier I capital, which includes Tier I capital, additional Tier I capital and Tier II capital. As defined in Proper Conduct of Banking Business Directive 202 "Measurement and capital adequacy – supervisory capital".
	Subordinated notes – Notes whose rights are subordinated to claims by other Bank creditors, except for other obligations of the same type.
	Stress tests – A title for various methods used to assess the financial standing of a banking corporation under a n extreme scenario.
V	**VaR** – A model used to estimate overall exposure to diverse market risk factors. The VaR (Value at Risk) obtained by the model is a statistical estimate of the maximum expected loss for the Bank due to materialization of market risks factors in a given time period at a pre-determined statistical confidence level.

Terms with regard to banking and finance

A	**Average effective duration** – The average term to maturity of debentures. Measured in years, by weighting principal and interest payments for the debenture over its term to final maturity. The average effective duration of a debenture reflects the financial instrument's sensitivity to changes in interest rates. Average effective duration is calculated as the ratio between the weighted average debenture payouts to its price.
	Active market – A market where transactions involving an asset or liability take place regularly and in sufficient volume, so as to regularly provide information about pricing of assets and liabilities.
D	**Debentures** – Securities which are obligations by the issuer to pay to the debenture holder the principal issued plus interest, on specified dates or upon realization of a specified condition.
	Debt whose collection is contingent on collateral – Impaired debt whose repayment is expected through realization of collateral provided to secure such debt.
	Debt under restructuring – Problematic debt under restructuring is defined as debt for which, for economic or legal reasons related to financial difficulties of the debtor, the Bank has made a concession by way of modification to terms and conditions of the debt, designed to make it easier for the debtor to make cash payments in the near term (reduction or postponement of cash payments due from the debtor), or by way of receiving other assets as debt repayment (in whole or in part).
	Debt under special supervision – Debt under special supervision is debt with potential weaknesses, which require special attention by Bank management. Should these weaknesses not be addressed, the likelihood of debt repayment may deteriorate.
	Derivative – A financial instrument or contract whose value changes in response to changes in the price of the underlying asset (a financial instrument, physical asset, index, credit rating or other underlying asset), requires a small or minimal initial investment, compared to other contract types, and is expected to be settled on a future date.
F	**Financial instrument** – A contract that creates a financial asset for one entity and a financial liability or capital instrument for another entity.
I	**Inferior debt** – Inferior debt is debt insufficiently secured by collateral or by debtor repayment capacity, and for which the Bank may incur a loss if faults are not corrected, including debt over NIS 700 thousand which is 60-89 days in arrears.
	Impaired debt – Debt is classified as impaired when its principal or interest is in arrears over 90 days, unless the debt is well secured and is in collection proceedings. Further, any debt whose terms and conditions have been changed in conjunction with restructuring of problematic debt would be classified as impaired debt, unless prior to and following such restructuring, a provision for credit losses by extent of arrears was made with respect to the debt pursuant to the appendix to Proper Conduct of Banking Business Directive 314 on problematic debt in housing loans.
	Indebtedness – On- and off-balance sheet credit, as defined in Proper Conduct of Banking Business Directive 313.
O	**Off-balance sheet credit** – Contracting for providing credit and guarantees (excluding derivative instruments).
P	**Problematic debt –** Debt classified under one of the following negative classifications: special supervision, inferior or impaired.
R	**Recorded debt balance** – The debt balance, including recognized accrued interest, premium or discount yet to be amortized, net deferred commissions or net deferred costs charged to the debt balance and yet to amortized, net of the debt amount subject to accounting write-off.
S	**Syndication** – A loan extended jointly by a group of lenders.

Terms with regard to regulatory directives

F	**FATCA - Foreign Accounts Tax Compliance Act** – The US Foreign Accounts Tax Compliance Act stipulates mandatory reporting to the US tax authority (IRS) of accounts held by US persons with foreign financial institutions (outside the USA).
L	**LCR – Liquidity Coverage Ratio** – Defined as the ratio of High Quality Liquid Assets and net cash outflow for the next 30 days, under a stress scenario. This ratio is a benchmark for the Bank's capacity to fulfill its liquidity needs for the coming month.

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