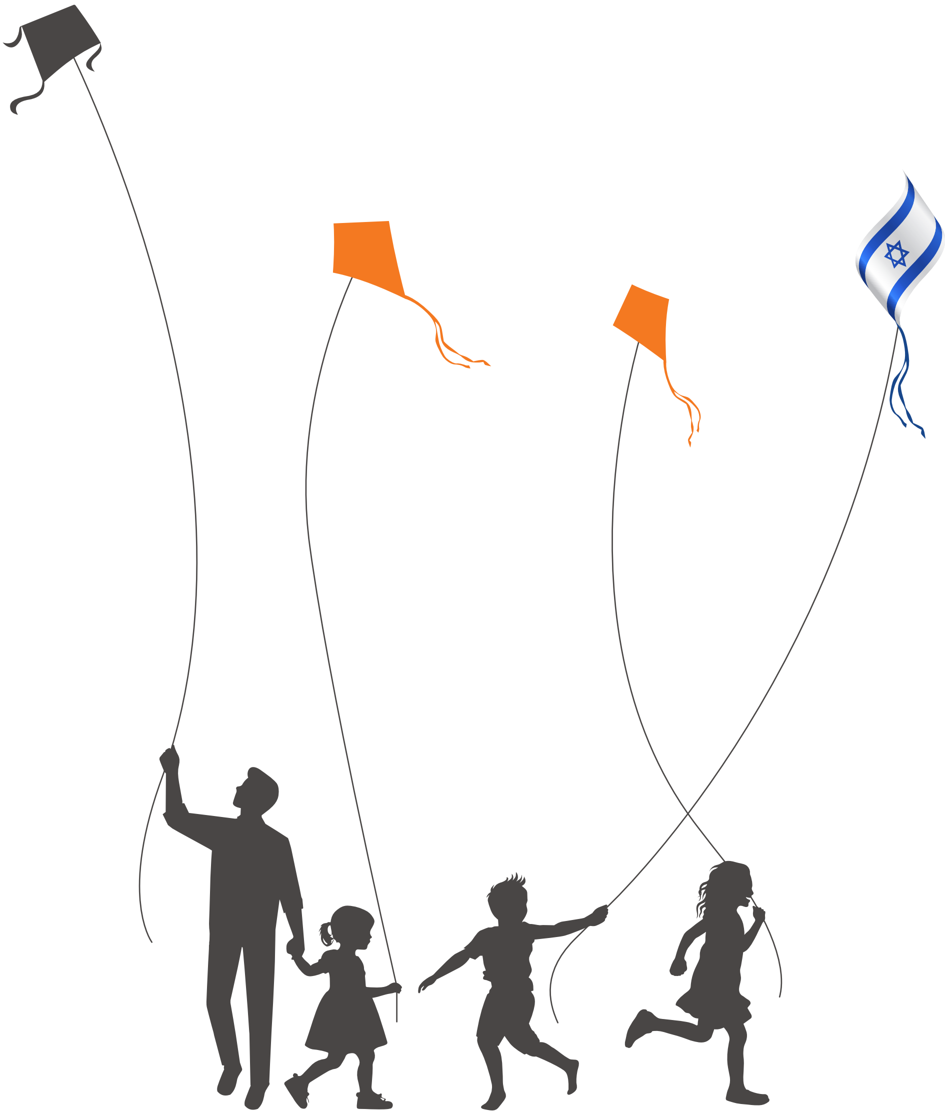
RISK MANAGEMENT REPORT AS OF 30.09.2024 3

מזרחי טפחות
MIZRAHI TEFAHOT



People first and foremost

This report includes supplementary information to the Bank's financial statements and is prepared in accordance with the Supervisor of Banks' directives, which include disclosure requirements from Basel Pillar III and additional disclosure requirements by the Financial Stability Board (FSB). The report is available on the Israel Securities Authority's MAGNA website - www.magna.isa.gov.il and on the Bank website at www.mizrahi-tefahot.co.il/en financial reports.

Bank Mizrahi Tefahot

Risks Report for the third quarter of 2024

This translation of the Risks Report is for convenience purposes only. The only binding version of the Risks Report is the Hebrew version.

This report includes additional information to the Bank's financial statements and is compiled in conformity with directives of the Supervisor of Banks, which include disclosure requirements of Basel Pillar 3 and additional disclosure requirements of the Financial Stability Board (FSB).

The following reports are available on ISA's MAGNA website: This risks report and other supervisory information about supervisory capital instruments issued by the Bank (hereinafter: "the reports"). In conformity with directives of the Supervisor of Banks, the condensed financial statements for the interim period and the aforementioned reports are also available on the Bank website:
www.mizrahi-tefahot.co.il > about the bank > investor relations > financial nits.

Primary table of contents

List of tables included in the risks report

Risks Report

This risks report includes additional information to the condensed consolidated financial statements of Bank Mizrahi Tefahot Ltd. and its subsidiaries as of September 30, 2024. The condensed financial statements and additional information to the condensed financial statements, including the Report of the Board of Directors and Management, this Risks Report and other supervisory disclosures have been approved for publication by the Bank's Board of Directors at its meeting held on November 20, 2024.

The risks report and other supervisory disclosures are presented in conformity with directives and guidelines of the Supervisor of Banks, including disclosure requirements from Basel Pillar 3, disclosure requirements issued by the Financial Stability Forum (FSF) and further disclosure requirements of the Financial Stability Board (FSB).

In conformity with the Supervisor of Banks' public reporting directives, the quarterly format of the risks report is limited and focused on qualitative and quantitative disclosures whose analysis and presentation on quarterly basis is material for readers of the report.
If needed, this report should be read in conjunction with the 2023 Risks Report.

The disclosure in this report is designated to allow users to evaluate significant information included with regard to implementation of the framework for capital measurement and capital adequacy and to implementation of provisions of "Basel III: Global supervisory framework to improve stability of the banking system".

All of these reports are also available on the Bank website at:

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

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

A. Zeldman

Avraham Zeldman
Chairman of the Board of Directors

Lari Moshe

Moshe Lari
President & CEO

Ofer Horvitz
Vice-President
Chief Risks Officer (CRO)

Approval date of the financial statements and risks report:
Ramat Gan, November 20, 2024

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, 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 assume", "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 stability 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.

Key supervisory ratios and overview of risk management and risk assets

Key supervisory ratios – key data

Below is key data relevant for the Bank's risk profile (NIS in millions):

	2024			2023			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Key supervisory and financial ratios							
Available capital							
Tier I equity[1]	31,128	30,252	29,422	28,434	27,504	26,908	26,001
Tier I capital before effect of transitional provisions	31,039	30,163	29,333	28,257	27,324	26,724	25,813
Total capital	40,549	39,541	37,851	36,800	35,395	35,390	34,263
Total capital before effect of transitional provisions	40,529	39,521	37,831	36,761	35,353	35,345	34,213
Risk weighted assets							
Total risk weighted assets (RWA)	298,536	289,808	277,611	275,440	271,767	262,909	256,874
Capital adequacy ratio (in %)							
Tier I capital ratio(1)	10.43	10.44	10.60	10.32	10.12	10.23	10.12
Tier I capital ratio before effect of transitional provisions	10.39	10.40	10.56	10.25	10.05	10.16	10.03
Total capital ratio	13.58	13.64	13.63	13.36	13.02	13.46	13.34
Total capital ratio before effect of transitional provisions	13.57	13.63	13.62	13.34	13.00	13.43	13.29
Tier I capital ratio required by Supervisor of Banks[2]	9.60	9.60	9.60	9.60	9.60	9.60	9.60
Available Tier I capital ratio, beyond what is required by the Supervisor of Banks[2]	0.83	0.84	1.00	0.72	0.52	0.63	0.52
Leverage ratio[3]							
Total exposure	517,795	505,336	491,302	487,483	476,015	469,461	469,925
Leverage ratio (in %)	6.01	5.99	5.99	5.83	5.78	5.73	5.53
Leverage ratio before effect of transitional provisions (in %)	5.99	5.97	5.97	5.80	5.74	5.69	5.49
Liquidity coverage ratio[4]							
Total high quality liquid assets	87,202	88,501	85,893	82,465	80,986	80,940	83,031
Total outgoing cash flows, net	68,489	67,447	61,899	63,118	58,601	63,214	65,864
Liquidity coverage ratio (in %)	127	131	139	131	138	128	126
Net stable funding ratio[5]							
Total available stable funding	301,090	291,303	284,082	281,426	276,450	282,362	275,561
Total required stable funding	266,114	256,681	249,506	246,931	244,595	246,136	243,380
Net stable funding ratio (in %)	113	113	114	114	113	115	113
Performance benchmarks							
Net profit return on equity[6][7]	19.0	19.9	18.1	15.5	16.8	22.0	22.4
Net profit return on risk assets[6][7]	1.93	2.03	1.84	1.53	1.64	2.15	2.15
Deposits from the public to loans to the public, net	110.6	110.6	110.6	110.2	108.5	108.9	111.6
Key credit quality benchmarks							
Ratio of balance of provision for credit losses to total loans to the public	1.17	1.20	1.22	1.24	1.19	1.01	0.98
Ratio of non-accruing debts or debts in arrears 90 days or longer to loans to the public	1.24	1.14	1.11	1.16	0.99	0.90	0.88
Expenses with respect to credit losses to loans to the public, net for the period[7]	0.15	0.13	0.21	0.36	0.86	0.31	0.29
Of which: With respect to group provision	0.04	(0.03)	0.10	0.14	0.76	0.22	0.18
Of which: With respect to commercial loans other than residential mortgages	0.28	0.31	0.50	0.94	1.74	0.78	0.65
Of which: with respect to residential mortgages	0.07	0.02	0.04	0.02	0.34	0.04	0.08
Ratio of net accounting write-offs to average loans to the public[7]	0.10	0.08	0.16	0.13	0.04	0.12	0.07

	Nine months		All of
	2024	2023	2023
Performance benchmarks			
Net profit return on equity(6)(7)	19.0	20.3	19.1
Net profit return on risk assets(6)(7)	1.93	1.97	1.86
Key credit quality benchmarks			
Expenses with respect to credit losses to loans to the public, net for the period(7)	0.16	0.48	0.45
Of which: With respect to group provision	0.10	0.38	0.31
Of which: With respect to commercial loans other than residential mortgages	0.35	1.04	1.01
Of which: with respect to residential mortgages	0.04	0.15	0.12
Ratio of net accounting write-offs to average loans to the public(7)	0.11	0.08	0.09

Financial ratios indicate as follows:

- Net profit return on equity in the first nine months of the year was 19.0%.
- The ratio of Tier I capital to risk components increased to 10.43%. The minimum ratio required of the Bank is 9.60%.

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) The Bank has no capital instruments included in "Additional Tier I capital", so that total Tier I capital equals total Tier I equity.
(2) Including a capital requirement at 1% of the residential mortgage balance as of the date of the financial statements.
(3) 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.
(4) 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.
(5) Net stable funding ratio – a liquidity ratio stipulated by the Supervisor of Banks, in conformity with recommendations of the Basel Committee, designed to maintain a sustainable financing structure over time, in addition to the liquidity coverage ratio. Calculated based on total net stable funding required for 12 months, derived from all Bank uses, to total net stable funding available for 12 months, calculated for all Bank sources.
(6) Net profit attributable to shareholders of the Bank.
(7) Annualized.

Bank approach to risk management

Efficient, comprehensive risk management is a major pillar for ensuring bank stability over time. The risks management strategy at the Bank is designed to identify, manage, monitor, quantify, avoid or mitigate all material risks associated with Bank operations and to support achievement of its business objectives. The Bank's business activity is exposed to a number of material risks, financial and non-financial, whose materialization has potential to impact the Bank's financial results or image. The Bank has classified the following risks as material risks: Credit and centralization risk, financial risks that include liquidity risk and market and interest risks, compliance and regulatory risk, operational risks including IT risk, information and cyber security risk, legal risk, human capital risk and model risk and other risks directly managed as part of business management at the Bank, such as: Reputational risk, climate and environmental risks, strategic business risk, including competitive aspects in the industry, macro-economic risk and regulatory business risk.

General information regarding management of various risks and the risk profile

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 supporting management and control of such risks. The Bank operates in conformity with regulatory requirements with regard to risk management and control, and in conformity with the Supervisor of Banks' Proper Conduct of Banking Business Directives, and in particular with Proper bank Management Directive 310 "Risks Management", which is based on the Basel Committee recommendations, which specifies the principles for risks management and control in the Israeli banking system and stipulates the standards required of the banks for creating their risks management and control framework in line with regulatory requirements, the Bank's risk appetite, risk strategy and its business targets. These principles include, *inter alia*: proper involvement of management and of the Board of Directors in risk management, tools for risk identification and measurement, control and monitoring processes and the measures for risk mitigation. All Bank policy documents for risk control and management are based on these underlying principles.

Risk management at the Bank Group is conducted based on an overview of Bank activity in Israel and at overseas affiliates, in conformity with regulatory requirements and in order to support achievement of the Group's strategic targets, while taking risk judiciously and maintaining a risk level in line with the overall risk appetite specified by the Bank Board of Directors.

Risk appetite defines the overall risk level which the Bank is willing to assume and constitutes a oversight ruling. Risk appetite specifies where the Bank wishes to be in terms of return (proceeds/reward) vs. risk (cost) from a forward-looking viewpoint. Risk appetite is defined in qualitative and quantitative terms in the normal course of business and under stress scenarios, and is based on the risk strategy and on basic principles of the Bank's business and strategic plan, on the required liquidity and capital for achieving the strategic objectives.

Risk tolerance is a specific setting of risk limitations for all risks to which the Bank is exposed. Risk values are assessed by a range of qualitative and quantitative benchmarks, in support of achieving the business goals, while keeping the Bank within the overall limits of the specified risk appetite and subject to strict regulatory restrictions. These risk restrictions, on aggregate, reflect the risk appetite and the overall risk level which the Bank is willing to assume.

Effects of the war

Since it broke out, the Iron Swords War, which has been ongoing since October 7, 2023, caused many disruptions in economic activity in Israel, including it terms of workforce due to the absence of employees who were drafted as reservists, and due to the shortage of foreign and Palestinian workers, especially in the construction industry; the war also had an adverse effect on private consumption and on current business activity, due to the deterioration of the security situation. In view of the war and the increase in the geopolitical risk, the Israeli economy is experiencing ongoing economic uncertainty. Note that even prior to this war, there was economic uncertainty due to the Government's plans to promote changes to the judicial system and the public disagreement with regard to this move. Since the outbreak of the war, there has been a significant increase in government spending - both in terms of defense costs, and in terms of compensation to civilians in respect of the damages of the war and looking after evacuees - all of which led to a sharp increase in the deficit rate. This occurred alongside a significant slowdown in the growth rate of the Israeli economy due to the war's adverse effect on normal civilian day-to-day life.

In view of the increase in the systemic risk due to the war, the Bank increased its overall risk assessment as from the third quarter of 2023. In the opinion of the Bank, this risk level is in line with the current risk level of the Israeli economy and the ongoing uncertainty and its potential effect, specifically in respect of the material risks, including credit risks, financial risks, business continuity risk, and information security and cyber risks.

The Bank of Israel issued a range of relief measures and war-time adjustments in Proper Conduct of Banking Business Directive 251 (Interim Directive) for addressing the impact of this war. Furthermore, the Government has established funds to assist small businesses. The Bank applies the relief and directives as instructed by the Bank of Israel, and has even voluntarily expanded these benefits and acts with the entire banking system to support and to provide an appropriate business solution for its customers in various area, and to support households and businesses as they go through this period. This is done with constant monitoring and review of implications of these activities for risk management.

The State of Israel's Credit Rating by International Rating Companies

As a result of the expansion of the war and the intensification of the geopolitical risks, the international rating agencies lowered the State of Israel's credit rating and updated the rating outlook. The banks' rating is influenced by the country's rating, and the Bank's credit rating and credit forecast was revised accordingly.

On October 1, 2024 the S&P rating agency announced that it was lowering the credit rating of the State of Isarel from A+ to A with a Negative Outlook. This is compared to a credit rating of AA- before the war. The credit rating was downgraded following the prolongation and expansion of the war and the escalation of the conflict with Iran. Consequently, the rating agency expects that economic growth in Israel will suffer and that the deficit rate will increase.

On September 27, 2024, rating agency Moody's announced it was lowering Israel's credit rating by two notches from A2 to Baa1 with a Negative Outlook. This is compared to a credit rating of A1 before the war. In the report published by the agency it is noted that the drivers for downgrading Israel's credit rating include, among other things: Intensification of the geopolitical risks, the absence of a budget for 2025 and ongoing social-political tensions. The agency expects that the damage to the economy will be prolonged and that long-term GDP growth rate will be adversely affected.

On August 12, 2024, rating agency S&P announced that it is lowering Israel's credit rating from A+ (pre-war level) to A, with a Negative Outlook. The agency listed in its decision as reasons for the credit downgrading the prolongation of the war, the increase in geopolitical uncertainty and the increase in the deficit rate.

Systemic scenario – uniform stress test

In line with customary world-wide practice, the Supervisor of Banks conducts a uniform macro-economic stress scenario for the banking system, designed to test systemic and individual financial stability in a different macro-economic environment and risk concentrations the banking system is exposed to.
In April 2024 the Bank Supervisor published a uniform macroeconomic stress scenario in which the Iron Swords war escalates and becomes a regional war in 2024. The intensification of the war has led to a sharp increase in uncertainty and a drop in economic activity, the GDP has shrunk, unemployment has increased and the Bank of Israel has raised interest rates. The country's risk premium increased, leading to a sharp drop in the country's credit rating. The results of the systemic stress scenario were calculated based on data for the end of 2023 and submitted by the banks in July 2024. According to the results, in this stress scenario as well, the Bank retains its robustness and stability throughout the scenario period, while maintaining appropriate regulatory capital and leverage ratios.

General mapping of risk factors and their impact

The Bank has specified a framework for risks management and control by the Group, which includes mapping of material risks, and s 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 risk assessment for each risk and examination of their materiality level is reviewed as part of the ICAAP process (an internal process for the assessment of capital adequacy) in the annual assessment process, the RAS (Risk Assessment System), which is a uniform methodological process adapted to regulatory requirements, in which the overall risk levels, management quality and risk profile for all material risks at the Bank are specified and this, based on risk indices, qualitative parameters and subjective assessments.
Furthermore, on a quarterly basis, in line with results of the Bank's annual ICAAP process, an up-to-date risk assessment is carried out for each of the risks in accordance with the actual risk profile, quantitative and qualitative indices, developments in the business environment and macroeconomic environment, and the existence of appropriate management and monitoring processes and emergency plans for dynamic, rapid response designed to minimize damage upon materialization of events. The up-to-date risk assessments are extensively discussed by Bank management and Board of Directors.

In view of the significant economic uncertainty due to the war, and the higher economic systemic risk, the risk assessment conducted by the Bank reflects the potential effects of the war that have not yet been expressed in full. In none of the risks were any significant indications identified of an increase in risk.

Below is a mapping of risk factors, their potential impact on the Bank and executives appointed Risk Owners for each risk, the risk assessments include forward-looking assessment of the potential implications of the war:

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-High	
Risk from industry concentration(1)	Low-Medium	
Risk with respect to concentration of borrowers / borrower groups	Low	
Risk with respect to mortgage portfolio	Low-Medium	
Overall effect of market risks(2)	Low-Medium	Manager, Financial Division
Interest risk	Medium	
Inflation risk	Low-Medium	
Foreign currency risk	Low	
Liquidity risk	Low-Medium	Manager, Financial Division
Overall effect of operational risk	Medium	Manager, Risks Management Division
Cyber and information security risk	Medium	Manager, Risks Management 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 Management Division
Reputational risk(4)	Low	Manager, Marketing, Promotion and Business Development Division
Strategic business risk (5)	Low-Medium	President & CEO
Regulatory business risk	Medium-High	President & CEO

(1) Includes concentration in construction and real estate sector.
(2) Includes options and shares risk.
(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 strategic business risk includes the risk embodied in the capital planning and management process.

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

The Bank's risk profile and risk assessment remained unchanged relative to the assessments published in the second quarter of 2024.
The risk assessments reflect the high levels of uncertainty due to the continuation of the war in the various fronts, the significant economic uncertainty and its impacts, and is compatible with the potential possible impacts of the systematic events on the Bank.
The impact of the war on the risk assessments and the possible increase in risk, were presented starting from the third quarter of 2023. The assessed risk in borrower and collateral quality increased in the third quarter of 2023, reflecting concerns about increases in business credit risk – even though there are no significant indications of an increase in risk. The risk levels of all of the risks remained unchanged in this quarter, and currently are appropriate, and are in line with the fact that significant indications of actual rise in risk have yet to be identified. At the same time, the Bank continues to monitor developments and to conduct increased monitoring of the effects of the war and derivatives thereof on economic activity and, consequently, on Bank activity and various risk aspects.
Note that the risk assessments of all of the risks, prior to the war, reflect uncertainty which about the economy, with regard to the global geo-political effects, the state of the global and local economies and changes to the macro-economic environment, as well as the high interest environment and implications thereof, as well as uncertainty regarding the Government's plans to promote changes in the legal system and the public dispute concerning these. The risk assessments shall be reexamined in accordance with continued defense developments and the potential implications that may be realized.

Developments in risk assessments for the third quarter of 2024:

1. **Strategic business risk**

The strategic business level remains unchanged, at a low-medium level. At the strategic level there has been no change to the Bank's business model, and the Bank operates based on the current strategic outline and is beyond the business targets set in the original strategic plan (2021-2025). Strategic business risk incorporates all of the Bank's business operations, also reflecting the risk in the Bank's business environment, and the Bank is reviewing the increase in geo-political risk and the macro-economic and business implications that may materialize should the war last longer and/or should it expand to other regions. The current risk level reflects the potential impact of a prolonged war on the economy, the macro-economic uncertainty and the global geo-political situation and the risk due to the impact of various rating agencies lowering Israel's credit rating. The Bank maintains appropriate safety margins for minimum capital and leverage ratios, even given the increase in systemic risk.

2. **Regulatory business risk**

Regulatory business risk remained unchanged at Medium-High, also reflecting potential business implications for banking operations due to the war. The risk refers to the impact of new legislative and regulatory steps on core subjects of the financial system and uncertainty with regard to developments and exposure of Bank operations to potential regulatory changes, that may impact core operations of the Bank.

3. **Credit risk**

In view of the war and its implications for Bank customers, the Bank has announced a range of relief measures for borrowers, designed to facilitate the debt burden, including loans at preferential terms, bonuses to affected small businesses, payment deferment etc. During September 2024, the Bank of Israel published the fifth phase of the comprehensive assistance outline to customers for dealing with the consequences of the Iron Swords War, and the Bank operates in accordance therewith. The Bank also participated in the loan fund for businesses, launched by the Government in early November 2023, and extended support loans to businesses as part of the “North South” Fund.

A. Overall effect of credit risks

The overall level of credit risk remained Medium. The risk level for the quality of borrowers and securities is slightly higher than previously, reflecting the current impact and assessments of potential future effects of the war, along with continued uncertainty with regard to the macroeconomic environment. These changes affect borrower operations, and may increase credit risk. In the third quarter of 2023, due to the war the risk to borrower and collateral quality increased, due to economic deterioration due to the war and its potential impact on the state of borrowers and overall business activity. The major risk concentrations include borrowers and businesses in border regions, activity in sectors identified as affected by the war, and borrowers and businesses that were at high risk even prior to the war, who are more sensitive and vulnerable to external events, as well as borrowers who have deferred payments. The Bank tracks the resumption of payment of all of the customers who conducted deferrals. Likewise, the Bank closely monitors the potential effects, identifying any economic sectors that may be impacted, constantly reviews the risk measures and risk levels, adapting them as required to current business activity, subject to and in line with the risk appetite and takes steps to improve borrower repayment capacity and to reduce the risk level.

As of September 30, 2024, deferred payments for business segment customers amounted to NIS 74 million, out of the total loan balance that has undergone changes to terms amounting to NIS 331 billion.

As of September 30, 2024, deferred payments for individual segment customers amounted to NIS 36 million, out of the total loan balance with that has undergone changes to terms amounting to NIS 114 million.

B. Credit risk in the construction and real estate sector

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 in this sector 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. The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank is approx. 16.6%.

The effect of the economic uncertainty due to the continuation of the war increases - to a certain extent - the systemic risk in the real estate sector. The Iron Swords War led to an increase in risk levels in this sector, due to slower progress of construction due to shortage of labor and slow-down in activity on some construction sites, which may cause delays in apartment delivery and decrease in residential construction starts. In addition, raw material prices and workers’ salaries have increased.

Since the beginning of 2024, there has been a recovery in the demand side and in the number of transactions, including in areas located close to the conflict zones. The Bank monitors closely the development of the industry's risk characteristics and the effects of changes on Bank operations.

In October 2024, the Supervisor of Banks published a letter to the banking system, in which he noted that in the past year the risk level of the exposures to the construction and real estate sector has increased due to the high interest rate environment and the increase in the overall uncertainty level due to the war. The Bank is making preparations for an analysis of the risk with respect to its exposures and to reply to the letter. In accordance with the Bank of Israel’s requirement, the completion of the analysis and its presentation for discussion in the board of directors are expected to take place towards the end of the year. The Bank regularly monitors the provisions for credit losses, and revises them as needed.

For more information about credit risk in the construction and real estate sector, see chapter "Credit risk" in the Report of the Board of Directors and Management.

C. Credit risk in the residential mortgage portfolio

The risk level in the mortgage portfolio remained unchanged at Low-Medium, reflecting the potential for cumulative effects of higher interest rates and high inflation on borrower repayment capacity and uncertainty due to the war, including the scope of customers with deferred payments. Note that during COVID, which saw extensive mortgage deferment, in actual fact, it turned out that upon the economy resuming normal activity, the risk potential in the mortgage portfolio did not materialize. Note that risk benchmarks throughout the reported period do not currently indicate any deterioration or material change in risk level, therefore the risk assessment remained unchanged. The Bank monitors the impact of the war on economic growth and activity, yet to be fully reflected.

As of September 30, 2024, deferred payments for residential mortgages segment customers amounted to NIS 289 million, out of the total loan balance that has undergone changes to terms amounting to NIS 9 billion.

4. Market and interest risks

The overall risk level of market and interest risk remained Low-Medium. Interest risk remained Medium, after increasing in the fourth quarter of 2022, from Low-Medium to Medium, due to the higher interest rates, high uncertainty and potential impact for borrower and depositor behavior, in particular the trend of balance transition from current accounts to deposits and changes to mortgage performance mix towards options less sensitive to changes in interest rates. The risk values continue to be close to the limits of the Bank's risk appetite. In October, the Bank of Israel interest rate remained unchanged at 4.5%.

5. Liquidity risk

Liquidity risk remained low-medium. Since the war started, and due to the security situation in Israel, the Bank's alert level with regard to liquidity increased, although there was no material change to relevant indicators, due to the wish to closely monitor any potential changes in the situation. In practice, no events nor indications were observed which would indicate realization of a liquidity event. In the third quarter of 2024, the Bank maintained high liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. As of September 30, 2024, the average (consolidated) liquidity coverage ratio amounted to 127%, the net stable funding ratio (on consolidated basis) was 113% and there were no deviations from the risk appetite limitations. The Bank maintains high surplus foreign currency, and closely manages its liquidity based on specified guidelines, including ongoing review of Bank compliance with systemic emergency scenarios.

6. Technological Risk

The technology risk remained Medium. This is a material risk factor for the Bank, and potential damage due to its realization may be significant. Technological activity is focused on changing needs in line with the Bank's business strategy, and taking as many steps as possible to mitigate the probability of the realization of the technological risks and the potential damage of their realization, with an emphasis on the possible implications of the continuation of the war on risk.

In July a technological event occurred due to a global breakdown by CrowdStrike, which was caused by a faulty software update that negatively impacted the activity of bodies and companies across the world that use the Microsoft Windows operating system. The Bank identified the event immediately and restored the systems to full functionality and in a brief period of time, allowing full business activity and with no impact on the Bank’s customers.

7. Cyber and information security risk

The information security and cyber risk level remained medium. In this quarter, a small number of fraud attempts against customers (through phishing attacks) were identified, in which their account credentials were stolen in order to conduct un-authorized transactions in their accounts. Thanks to defensive measures applied by the Bank, despite these fraud attempts, there were no unauthorized transactions in customer accounts. In addition, in the occurred quarter, several DDoS attacks were conducted against the Bank's marketing website. Throughout this attack, the Bank app and transaction website operated normally, and this attack had no impact on the Bank's business activity, and concurrently, over the course of the quarter the Bank expanded its response capabilities to attacks of this sort. Due to the war, the risk of attempted cyber attacks in the banking system is higher, as is the potential for materialization of this risk. In order to identify and thwart cyber events, the Bank has raised its alert, vigilance and readiness for such events. The Bank also acts to prevent fraud, by bolstering its monitoring activity to identify any suspect activity in customer accounts. There is constant activity by attack groups, along with continued activity and bolstering of the Bank's control and protection system. Note that despite the increase in cyber risk world-wide and in Israel, due inter alia to increased use of cloud environments, increased remote working and more sophisticated attacks, primarily ransom attacks – the actions taken by the Bank in recent years to manage the risk, have maintained risk at the Bank unchanged.

8. Compliance and regulatory risks

Compliance and regulatory risk remained Low-Medium. The Bank applies the current and new regulatory provisions. The root systemic risk increased, due to effects of the war and of the global geo-political situation, and accordingly, upon the start of the war an expansion occurred in management focus and monitoring at the Bank on issues of compliance, AML and prohibition of terror financing as applicable. Moreover, the Bank operates within the international banking framework that applies cross-border enforcement rules, and has set a policy regarding the implementation of sanctions as required by regulation.

9. Reputational risk

The Bank's reputational risk remained Low. The Bank regularly monitors various benchmarks and indicators with regard to the Bank's reputation, indicating that the Bank has maintained a leading image in the service, fairness and perception as a different bank axes. Among Bank customers, the high image reception levels remain. Satisfaction from the service experience offered by the Bank remains high and stable and managed systematically using a variety of tools.

10. Legal risk

Legal risk remained Low-medium. In this quarter there were no unusual events which may impact Bank exposure. 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: customers, suppliers and other third parties). 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.

Strategic plan

For more information about the Bank's strategic plan for 2021-2025, see chapter "Business goals and strategy" of the Report of the Board of Directors and Management for 2023.

Major and emerging risks

The Bank's business activity exposes the Bank to various financial and non-financial risks, whose materialization has potential to impact the Bank's business results or image. Top risks and evolving risks are derived from the Bank's business environment, which is impacted by the macro-economic environment, by risk associated with regulation and legislation, by changes to the business model and by social and consumer trends. In recent years, due to changes in the competitive landscape, in the consumer environment, in the regulatory environment and in technology, non-financial risks have been evolving.

As part of processes conducted by the Bank to map and identify risk, the Bank reviews major risks, existing or new, arising from developments in the Bank's business environment, which may materialize over the coming year and with potential to materially impact the Bank's financial results and stability. The Bank also identifies emerging risks, which may materialize over the longer term, with uncertainty about their nature and impact on the Bank. The risk mapping at the Bank is regularly reviewed to ensure it covers all risks associated with the Bank's business activity, or influenced by market conditions and from regulatory requirements.

1. **Strategic business risk** – is the risk, in real time or in future, to Bank profits, capital, reputation or status, which may arise from erroneous business decisions, improper deployment of decisions by the Bank or inappropriate alignment of the Bank to changes in the business environment in which it operates. The Bank is preparing for these changes by, inter alia, adapting the banking production functions through, inter alia, increased investment in technology, so as to maintain the Bank's position as an advanced, human bank. This is material risk requiring risk management measures to be applied, assessment and early identification of events which may preclude implementation of the strategy.

2. **Regulatory business risk** – This risk refers to legislation, including legislation in process, in core banking areas, as well as new regulation and regulatory expectations of regulatory entities, whether in process or completed, which may potentially impact core banking operations.

3. **Macro-economic risk** – included in the occurred business risk, and refers to the state of the local and global economy, significant changes in monetary policy and in interest rate curves, market volatility and changes in prices of financial assets in Israel and world-wide and in real estate prices may potentially impact Bank operations. In January 2024, the Bank of Israel lowered its interest rate by 0.25%, to 4.5% and since then the interest rate remained unchanged. In September 2024, the Consumer Price Index declined by 0.2%.

4. **Technological risk** – Technological risk is a significant risk, affected by accelerated evolution in technology and digital domains and by the need to provide response to changing customer needs, legacy core systems, multitude of banking regulatory requirements and the need to implement technological tools within a short timeframe. The Technology Division operates fully in support of normal Bank operations and in providing a response to current and future technology requirements for such operations.

   As part of bolstering its technology infrastructure, the Bank invests heavily in technology systems, in order to address the evolving challenges in the business environment, while maintaining its differentiation as an advanced, human bank. The Bank is developing advanced tools for analyzing data and extracting information from data, in order to improve its measuring capacity and decision making, both from business marketing aspects and from risk management aspects.

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

   The Bank's information security and cyber 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. In view of the war, the Bank significantly raised its alert, vigilance and readiness in order to identify and avert any cyber events. The Bank also acts to prevent fraud, by bolstering its monitoring activity to identify any suspect activity in customer accounts.

6. **Compliance and regulatory risk** – Bank business operations are subject to regulation.[1] Compliance risk is the risk of the imposition of sanctions, material financial loss or damage to reputation, which the Bank may incur due to its failure to comply with various compliance provisions. Compliance provisions also include the following laws: ISA Enforcement Proceeding Streamlining Law (Legislative Amendments), 2011; Securities Law 1968; Mutual Investment Law, 1994; Arrangement of Engagement in Investment Consultancy, Investment Marketing and Management of Portfolios Law, 1995 (hereinafter: "the Advisory Law"); (hereinafter jointly – "securities laws") as well as the Economic Competition Law, 1988. Compliance with these laws is also handled by internal enforcement programs of securities laws and economic competition laws, respectively. Compliance risk also includes Bank compliance with fairness aspects and with privacy protection laws.

   Note that the Bank has practically zero risk appetite for compliance and regulatory risk, with regard to compliance with statutory provisions applicable to the Bank. Therefore, the Bank has determined that any deficiencies found in compliance with statutory provisions should be addressed by Bank units as a top priority. The Bank has specified a multi-annual work plan, which includes required action for reducing compliance risk.

7. **Environmental risks and climate risks** – these are part of ESG (Environment, Society and Governance) risks. Climate risks are evolving risks associated with increased change compared to other risks over time.

   A. **Environmental risks** are risk deriving from the Bank's potential exposure to loss due to deterioration in the borrower's financial position due to high costs incurred as a result of environmental hazards (such as air and water pollution, soil contamination), regulation concerning environmental protection, or due to the Bank being

[1] Compliance and regulatory risks may arise from non-compliance with regulatory directives applicable to business operations, vs. regulatory business risk, which refers to the impact of new legislation and regulation
in core matters of the financial system.

indirectly liable for an environmental hazard caused by a project funded by the Bank. Environmental risk also includes other, derived risks: reputation risk, third-party liability risk and so forth.

B. **Climate risks** are due to increased frequency and intensity of weather events due to climate change. The Bank faces risk of financial loss or impact to its reputation, due to materialization of physical events, processes or adjustment to transition risk due to climate change. Climate risks include:

- Transition risks, which are estimated to be long-term risk an which may derive from the adaptation to a low-carbon economy motivated by changes in regulation, legislation and government policy (such as a move to renewable energy sources, carbon taxes, improving energy efficiency and more).
- Physical risk, that may materialize due to direct impact of extreme climate events, such as flooding, storms, heat waves, cold snaps, fires, and ongoing changes that may derive from rising sea levels and temperature changes that may affect the ecological system, desertification processes and so forth.

In recent years, there has been growing awareness in Israel and world-wide of the existence and extent of financial risk due to potential impact of events and processes related to climate change.

The Bank is preparing to implement Proper Conduct of Banking Business Directive 345 "Principles for effective management of climate-related financial risk", issued by the Supervisor of Banks in June 2023, and which will come into effect in June 2026. The directive is based on the principles of the Basel Committee guidelines.
In 2024 the Bank published a TCFD report (Task Force on Climate-Related Financial Disclosures) for 2023, presenting the Bank’s assessments of effective management of climate risk. This report was created in conformity with the generally accepted global standard for such reporting and was included in the ESG report for 2023.
For more information about management of these risks, see chapter "Environment, society and governance" in the 2023 Report by the Board of Directors and Management and 2023 ESG report.
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’s Board of Directors. These assumptions may not materialize due to factors which are not solely controlled by the Bank.

Overview of weighted risk assets

	Risk weighted assets		Minimum capital requirements[1]
	As of September 30, 2024	As of June 30, 2024	As of September 30, 2024
Credit risk (standard approach)[2]	261,915	254,124	32,739
Counter-party credit risk (standard approach)	4,168	3,979	521
Credit risk value adjustment (CVA)[3]	1,478	1,437	185
Settlement risk	308	309	39
Amounts lower than discount threshold (subject to 250% risk weighting)	5,986	5,940	748
Total credit risk	**273,855**	**265,789**	**34,232**
Market risk (standard approach)	1,755	1,820	219
Operational Risk[4]	22,926	22,199	2,866
Total	**298,536**	**289,808**	**37,317**

(1) Capital requirement in conformity with required overall minimum capital ratio of 12.5%.

(2) Credit risk excludes counter-party credit risk, credit risk value adjustment, settlement risk, securitization exposures and amounts lower than the deduction thresholds.

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

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

The change in risk assets in the third quarter of 2024 was primarily due to growth in business lending and to growth in the residential mortgage portfolio.

Capital and leverage

Composition of supervisory capital

		As of September 30		As of December 31
		2024	2023	2023
		NIS in millions		
Tier I equity: Instruments and retained earnings				
1	Ordinary share capital issued by the banking corporation and ordinary share premium for shares included in Tier I equity	3,703	3,654	3,675
2	Retained earnings, including dividends proposed or announced after the balance sheet date	27,046	23,314	24,196
3	Cumulative other comprehensive income and retained earnings disclosed	(342)	(505)	(408)
5	Ordinary shares issued by consolidated subsidiaries of the banking corporation, which are held by a third party (non-controlling interests)	588	570	567
6	**Tier I equity before regulatory adjustments and deductions**	30,995	27,033	28,030
Tier I equity: Supervisory adjustments and deductions				
8	Goodwill, net of any deferred tax liabilities	87	87	87
9	Other intangible assets, excluding mortgage service rights, net of deferred tax liabilities	25	45	40
11	Accumulated other comprehensive income with respect to cash flows hedging of items not listed at fair value on the balance sheet	3	3	4
14	Un-realized gains and losses from changes to fair value of liabilities arising from changes to the banking corporation's own credit risk. Furthermore, with regard to liabilities with respect to derivative instruments, all accounting value adjustments (DVA) arising from the bank's own credit risk should be deducted	15	5	14
26	Supervisory adjustments and other deductions stipulated by the Supervisor of Banks	(263)	(611)	(549)
28	**Total supervisory adjustments and Tier I deductions**	(133)	(471)	(404)
29	**Tier I shareholders' equity**	31,128	27,504	28,434
Additional Tier I capital: Instruments				
44	**Additional Tier I capital**	-	-	-
45	**Tier I capital**	31,128	27,504	28,434
Tier II capital: Instruments and provisions				
46	Instruments issued by the banking corporation (not included in Tier I capital) and premium for such instruments	2,226	2,294	2,176
48	Tier II capital instruments issued by subsidiaries of the banking corporation to third-party investors	3,772	2,475	3,029
49	Of which: Tier II capital instruments issued by subsidiaries of the banking corporation and held by third-party investors, gradually deducted from Tier II capital	-	-	-
50	Group provisions for credit losses by effect of related tax	3,423	3,122	3,161
51	**Tier II capital before deductions**	9,421	7,891	8,366
Tier II capital: Deductions				
57	**Total deductions from Tier II capital**	-	-	-
58	**Tier II capital**	9,421	7,891	8,366
59	**Total capital**	40,549	35,395	36,800
60	**Total risk weighted assets**	298,536	271,767	275,440

		As of September 30		As of December 31
		2024	2023	2023
				NIS in millions
Capital ratios and capital preservation cushions				
61	Tier I shareholders' equity	10.43%	10.12%	10.32%
62	Tier I capital	10.43%	10.12%	10.32%
63	Total capital	13.58%	13.02%	13.36%
Minimum requirements stipulated by the Supervisor of Banks				
69	Minimum Tier I equity ratio required by Supervisor of Banks	9.60%	9.60%	9.60%
70	Minimum Tier I equity ratio required by Supervisor of Banks	9.60%	9.60%	9.60%
71	Minimum capital ratio required by the Supervisor of Banks	12.50%	12.50%	12.50%
Amounts lower than the deduction threshold (before risk weighting)				
72	Investments in capital of financial corporations (other than banking corporations and subsidiaries thereof), up to 10% of ordinary share capital issued by the financial corporation, which is below the amortization threshold	49	57	47
73	Investments in Tier I equity of financial corporations (other than banking corporations and subsidiaries thereof), over 10% of ordinary share capital issued by the financial corporation, which is below the amortization threshold	3	3	2
75	Deferred tax assets created due to temporary differences, which is below the amortization threshold	2,392	2,263	2,327
Cap for inclusion of provisions in Tier II				
76	Provision qualifying for inclusion in Tier II with regard to exposures under the standard approach, before application of the cap	3,745	(138)	3,569
77	Cap for inclusion of provision in Tier II with regard to exposures under the standard approach	3,423	3,123	3,161

Supervisory capital

Supervisory 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 includes equity attributable to equity holders of the Bank and the interest of external shareholders in equity of subsidiaries (excess capital at subsidiaries is not taken into account).
Tier I capital includes supervisory adjustments and deductions from capital – goodwill, investments in capital components of financial institutions, cumulative other comprehensive income with regard to cash flow hedges for items not presented at fair value on the balance sheet adjustments with respect to liabilities for derivative instruments, due to change in the Bank's credit risk (DVA) and other supervisory adjustments and deductions.
Additional Tier I capital consists of equity instruments which fulfill the requirements specified in the directives. As of September 30, 2024, the Bank had no capital instruments included in additional Tier I capital.
Tier II capital consists of a group provision for credit losses and equity instruments which fulfill the specified requirements.

Restrictions on capital structure:
- Tier II capital shall not exceed 100% of Tier I capital after required deductions from such capital.
- Capital instruments qualified for inclusion in Tier II capital shall not exceed 50% of Tier I capital after required deductions from such capital.

Bank approach to capital adequacy assessment

The risks management and control framework at the Bank, as recommended by the Basel Committee, specifies three pillars for capital adequacy assessment:
Pillar 1 – minimum capital – minimum capital allocation requirements with respect to credit risk, market risk and operational risk calculated by standard models.
Pillar 2 – Supervision and control process over capital adequacy, the Internal Capital Adequacy Assessment Process (ICAAP) conducted by the Bank, as well as the Supervisory Review and Evaluation Process (SREP).
Pillar 3 – "market discipline" – reporting and disclosure requirements to supervisory entity and to the public.

Minimum capital ratio requirement

Capital ratios are calculated as the ratio of capital to weighted risk assets. Tier I equity ratio us calculated as the ratio of Tier I equity to weighted risk assets, and the total capital ratio is calculated as the ratio of total capital to weighted risk assets.
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%. An additional capital requirement was added to the Tier I equity ratio at 1% of the residential mortgage balance as of the dates of financial statements, except for residential mortgages, which are subject to relief provided in the interim directive for addressing the Corona Virus crisis.
Consequently, the Bank's current required minimum ratio of Tier I equity ratio and minimum total capital ratio as of the report date are 9.60% and 12.50%, respectively (to which appropriate safety margins will be added). For more information see Note 9 to the financial statements.

In April 2024 rating agency S&P announced that it was lowering the State of Israel's credit rating from AA- to A+, following the geopolitical risks Israel is facing. The impact of the lowered rating is included in the capital ratios presented in the Financial Statements. In October 2024, S&P announced a further rating downgrade from to A+ to A, with no impact on the Bank's capital ratios.

A further decline in the rating of the State of Israel will not impact the Bank's capital ratios. It is only in the event of a two-notch decline in rating that the Tier I capital ratio and the total capital ratio as of September 30, 2024 will decline by 0.20% and 0.23%, respectively.

For more information about issue of CoCo contingent subordinated notes and for further details, see Note 9 to the financial statements.

Leverage ratio

The Bank applies the rules in Proper Conduct of Banking Business Directive 218 with regard to leverage ratio, which 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 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.
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 a consolidated basis, compared to 5% prior to this change.
In the Supervisor of Banks' circular dated December 20, 2023, the effect of this relief was extended through December 31, 2025. A banking corporation applying this relief at the time would be required to resume the required leverage ratio prior to the interim directive within two quarters, such that upon expiration of the interim directive, the banking corporation would be subject to a minimum leverage ratio based on the actual leverage ratio or the minimum ratio applicable to the banking corporation prior to the interim directive, whichever is lower.
The Bank's leverage ratio as of September 30, 2024 is 6.01%, compared to 5.83% as of December 31, 2023.

Below is information about the Bank's leverage ratio (NIS in millions):

Comparison of assets on balance sheet and exposure measurement for leverage ratio	As of September 30, 2024	As of September 30, 2023	As of December 31, 2023
Total assets according to consolidated financial statements	472,379	438,289	448,204
Adjustments with respect to financial derivatives	5,194	2,601	2,373
Adjustments with respect to off-balance sheet items[(1)]	36,742	31,471	33,509
Other adjustments	3,480	3,654	3,397
Exposure for leverage ratio	**517,795**	**476,015**	**487,483**

(1) Conversion of off-balance sheet exposures to equivalent credit amounts, in conformity with Basel rules for capital adequacy measurement.

Disclosure with regard to leverage ratio (NIS in millions)

	As of September 30, 2024	As of September 30, 2023	As of December 31, 2023
Composition of exposures and leverage ratio (NIS in millions)			
On-balance sheet exposures			
Assets on balance sheet	465,731	432,142	442,962
Amounts with respect to assets deducted to determine Tier I capital	(112)	(132)	(127)
Total on-balance sheet exposures	**465,619**	**432,010**	**442,835**
Exposures with respect to derivatives			
Subrogation cost for all transactions with respect to derivatives	2,116	2,672	2,198
Additional amounts with respect to future potential exposure for all transactions with respect to derivatives	7,460	7,208	6,417
Gross-up of collateral provided with respect to derivatives, deducted from assets on the balance sheet in conformity with Public Reporting directives	-	-	-
Deductions of receivable assets with respect to variable cash collateral provided in derivatives transactions	-	-	-
Exempt central counter-party leg of commercial exposures disposed by the customer	-	-	-
Adjusted effective par amount of credit derivatives written	-	-	-
Adjusted effective par offsets and deduction of additions with respect to credit derivatives written	-	-	-
Total exposure with respect to derivatives	**9,576**	**9,880**	**8,615**
Exposure with respect to securities financing transactions			
Gross assets with respect to securities financing transactions (without offsets), after adjustment for transactions accounted for as an accounting sale	5,858	2,654	2,524
Offset amounts of cash payable and cash receivable from gross assets with respect to securities financing transactions	-	-	-
Credit risk exposure for central counter-party with respect to securities financing assets	-	-	-
Exposures with respect to transactions as agent	-	-	-
Total exposure with respect to securities financing transactions	**5,858**	**2,654**	**2,524**
Other off-balance sheet exposures			
Off-balance sheet exposure in par value, gross	126,803	104,271	114,340
Adjustments with respect to conversion to credit equivalent amounts	(90,061)	(72,800)	(80,831)
Off-balance sheet items	36,742	31,471	33,509
Capital and total exposure			
Tier I capital	31,128	27,504	28,434
Total exposure	517,795	476,015	487,483
Leverage ratio			
Leverage ratio in conformity with Proper Conduct of Banking Business Directive 218	6.01%	5.78%	5.83%
Minimum leverage ratio required by the Supervisor of Banks	4.50%	4.50%	4.50%

Credit risk

This chapter discusses credit risk, in conformity with disclosure requirements of the Basel Committee and the FSB; the chapter structure and topic order (adjusted for the nature of Bank operations) are also in conformity with these requirements.

The chapter "Counter party credit risk" below includes qualitative and quantitative disclosures about the capital requirement with respect to this risk and adjustment to capital requirements with respect to credit risk (CVA).

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 customer activities, concentration risk due to over-exposure to a borrower or 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, credit risks outside of Israel 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.

For more information about credit risk, see chapter "Credit risk" in the 2023 Risks Report, available on the Bank website.

Credit quality of credit exposures

	September 30, 2024			
	Gross balances[1]			
	Non-accruing or in arrears 90 days or longer	Others	Provisions for credit losses	Net balance
Debts, except for bonds	4,379	418,522	4,137	418,764
Bonds	-	21,461	-	21,461
Off-balance sheet exposures[2]	72	126,889	257	126,704
Total	**4,451**	**566,872**	**4,394**	**566,929**

	September 30, 2023			
	Gross balances[1]			
	Non-accruing or in arrears 90 days or longer	Others	Provisions for credit losses	Net balance
Debts, except for bonds	3,232	398,940	3,877	398,295
Bonds	-	12,769	-	12,769
Off-balance sheet exposures[2]	56	104,370	198	104,228
Total	**3,288**	**516,079**	**4,075**	**515,292**

	December 31, 2023			
	Gross balances[1]			
	Non-accruing or in arrears 90 days or longer	Others	Provisions for credit losses	Net balance
Debts, except for bonds	3,837	405,903	4,069	405,671
Bonds	-	15,209	-	15,209
Off-balance sheet exposures[2]	121	114,374	201	114,294
Total	**3,958**	**535,486**	**4,270**	**535,174**

(1) Gross balances in conformity with reported carrying amounts on the financial statements for on- and off-balance sheet items, creating exposure to credit risk pursuant to Proper Conduct of Banking Business Directive 203.

(2) Off-balance sheet exposures are before credit conversion factors (CCF)

Credit risk mitigation methods (CR3)

	As of September 30, 2024								
	Non-secured	Secured							
				Of which: By collateral		Of which: By financial guarantees		Of which: By credit derivatives	
	Total on-balance sheet balance[1]	Total on-balance sheet balance[1]	Of which: Secured amount[2]	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount
Debts, except for bonds	365,388	53,376	17,505	28,449	7,497	24,927	10,008	-	-
Bonds	21,461	-	-	-	-	-	-	-	-
Total	**386,849**	**53,376**	**17,505**	**28,449**	**7,497**	**24,927**	**10,008**	**-**	**-**
Of which: Non-accruing or in arrears 90 days or longer	3,808	571	132	187	27	385	105	-	-

	As of September 30, 2023								
	Non-secured	Secured							
				Of which: By collateral		Of which: By financial guarantees		Of which: By credit derivatives	
	Total on-balance sheet balance[1]	Total on-balance sheet balance[1]	Of which: Secured amount[2]	Balance sheet balance	Of which: Secured amount	Balanc e sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount
Debts, except for bonds	346,781	51,514	17,501	27,226	6,954	24,288	10,547	-	-
Bonds	12,769	-	-	-	-	-	-	-	-
Total	**359,550**	**51,514**	**17,501**	**27,226**	**6,954**	**24,288**	**10,547**	**-**	**-**
Of which: Non-accruing or in arrears 90 days or longer	2,719	513	138	234	24	280	114	-	-

	As of December 31, 2023								
	Non-secured	Secured							
				Of which: By collateral		Of which: By financial guarantees		Of which: By credit derivatives	
	Total on-balance sheet balance[1]	Total on-balance sheet balance[1]	Of which: Secured amount[2]	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount
Debts, except for bonds	355,814	49,857	17,376	27,253	7,462	22,604	9,914	-	-
Bonds	15,209	-	-	-	-	-	-	-	-
Total	**371,023**	**49,857**	**17,376**	**27,253**	**7,462**	**22,604**	**9,914**	**-**	**-**
Of which: Non-accruing or in arrears 90 days or longer	3,159	678	203	187	26	491	177	-	-

Credit risk using the standard approach

Standard approach – exposures by asset type and risk weighting (CR5)(1)(2)

Asset types / risk weighting	0%	20%	35%	50%	60%	75%	100%	150%	Other	Total credit exposures (after conversion factors and collateral deduction)
										As of September 30, 2024
Sovereigns, central banks thereof and national monetary authority	88,606	5,968	-	-	-	-	240	-	-	94,814
Public sector entities (PSE) other than central Government	169	-	-	1,714	-	-	3	-	-	1,886
Banks (including multilateral development banks)	-	2,262	-	2,737	-	-	8	-	-	5,007
Securities companies	-	-	-	1,331	-	-	-	-	-	1,331
Corporations	283	10,540	-	6,038	-	-	87,135	1,522	1	105,519
Retail exposures to individuals	-	-	-	-	-	28,153	89	-	-	28,242
Loans to small businesses	-	-	-	-	-	13,580	-	-	-	13,580
Secured by residential property	-	-	60,639	50,886	66,294	26,772	9,494	-	-	214,085
Secured by commercial property	-	-	-	-	-	-	5,737	-	-	5,737
Loans in arrears	-	-	-	-	-	-	1,157	2,319	-	3,476
Other assets	2,896	-	-	-	-	-	4,262	359	-	7,517
Of which: with respect to shares	-	-	-	-	-	-	663	62	-	725
Total	**91,954**	**18,770**	**60,639**	**62,706**	**66,294**	**68,505**	**108,125**	**4,200**	**1**	**481,194**
										As of September 30, 2023
Sovereigns, central banks thereof and national monetary authority	87,462	93	-	-	-	-	255	-	-	87,810
Public sector entities (PSE) other than central Government	241	1,763	-	26	-	-	4	-	-	2,034
Banks (including multilateral development banks)	-	4,391	-	341	-	-	109	-	-	4,841
Securities companies	-	887	-	-	-	-	-	-	-	887
Corporations	136	11,171	-	6,255	-	-	76,457	2,645	-	96,664
Retail exposures to individuals	-	-	-	-	-	28,068	-	-	-	28,068
Loans to small businesses	-	-	-	-	-	12,991	-	-	-	12,991
Secured by residential property	-	-	56,579	47,188	58,269	26,701	9,622	-	-	198,359
Secured by commercial property	-	-	-	-	-	-	5,221	-	-	5,221
Loans in arrears	-	-	-	-	-	-	1,001	1,851	-	2,852
Other assets	2,332	-	-	-	-	-	3,888	116	-	6,336
Of which: with respect to shares	-	-	-	-	-	-	561	38	-	599
Total	**90,171**	**18,305**	**56,579**	**53,810**	**58,269**	**67,760**	**96,557**	**4,612**	**-**	**446,063**
										As of December 31, 2023
Sovereigns, central banks thereof and national monetary authority	95,021	209	-	-	-	-	247	-	-	95,477
Public sector entities (PSE) other than central Government	225	1,849	-	24	-	-	3	-	-	2,101
Banks (including multilateral development banks)	-	4,768	-	286	-	-	102	-	-	5,156
Securities companies	-	1,626	-	-	-	-	-	-	-	1,626
Corporations	235	10,759	-	5,773	-	-	80,108	1,580	-	98,455
Retail exposures to individuals	-	-	-	-	-	27,641	-	-	-	27,641
Loans to small businesses	-	-	-	-	-	13,001	-	-	-	13,001
Secured by residential property	-	-	57,392	47,583	58,911	26,423	9,605	-	-	199,914
Secured by commercial property	-	-	-	-	-	-	5,352	-	-	5,352
Loans in arrears	-	-	-	-	-	-	1,192	2,241	-	3,433
Other assets	2,619	-	-	-	-	-	3,941	119	-	6,679
Of which: with respect to shares	-	-	-	-	-	-	428	132	-	560
Total	**98,100**	**19,211**	**57,392**	**53,666**	**58,911**	**67,065**	**100,550**	**3,940**	**-**	**458,835**

(1) Balances in this disclosure include on- and off-balance sheet debt balances that reflect credit risk, excluding deferred tax amounts and investments in financial institutions below the discount thresholds (subject to 250% risk weighting), exposures with respect to counter-party credit risk and securitization exposures.

(2) The balances reflect the supervisory exposure amounts, net of provisions and write-offs, after credit conversion factors and after credit risk mitigation methods.

Counter-party credit risk

Analysis of exposure to counter-party credit risk (CCR) based on the supervisory approach (CCR1)

	As of September 30, 2024				
	Subrogation cost	Future potential exposure	Alpha used to calculate regulatory EAD	Exposure after deduction of collateral	Risk assets
Standard approach for counter-party risk (SA-CCR) (for derivatives)	1,076	5,152	1.4	8,719	3,622
Comprehensive approach to credit risk mitigation (for securities financing transactions)				600	546
Total	**1,076**	**5,152**		**9,319**	**4,168**

	As of September 30, 2023				
	Subrogation cost	Future potential exposure	Alpha used to calculate regulatory EAD	Exposure after deduction of collateral	Risk assets
Standard approach for counter-party risk (SA-CCR) (for derivatives)	1,544	5,020	1.4	9,190	2,776
Comprehensive approach to credit risk mitigation (for securities financing transactions)				288	119
Total	**1,544**	**5,020**		**9,478**	**2,895**

	As of December 31, 2023				
	Subrogation cost	Future potential exposure	Alpha used to calculate regulatory EAD	Exposure after deduction of collateral	Risk assets
Standard approach for counter-party risk (SA-CCR) (for derivatives)	1,160	4,493	1.4	7,914	2,457
Comprehensive approach to credit risk mitigation (for securities financing transactions)				121	99
Total	**1,160**	**4,493**		**8,035**	**2,556**

Capital allocation with respect to credit risk valuation adjustment (CVA) (CCR2)

	As of September 30, 2024		As of September 30, 2023		As of December 31, 2023	
	Exposure after deduction of collateral	Risk assets	Exposure after deduction of collateral	Risk assets	Exposure after deduction of collateral	Risk assets
Total – portfolios for which CVA is calculated using the standard approach	8,719	1,478	9,190	1,486	7,914	1,282

Standard approach – exposures to counter-party credit risk (CCR) by supervisory portfolio and risk weightings (CCR3) (NIS in millions)

	As of September 30, 2024				
Supervisory portfolio / risk weighting	**0%**	**20%**	**50%**	**100%**	**Total credit exposure**
Sovereigns	-	20	-	-	20
Public sector entities (PSE) other than central Government	-	-	43	-	43
Banks (including multilateral development banks)	-	3,893	119	-	4,012
Securities companies	-	-	3,806	-	3,806
Corporations	-	-	-	821	821
Supervisory retail portfolios	-	-	-	17	17
Other assets	-	-	-	-	-
Total	-	3,913	3,968	838	8,719

	As of September 30, 2023				
Supervisory portfolio / risk weighting	**0%**	**20%**	**50%**	**100%**	**Total credit exposure**
Sovereigns	23	-	-	-	23
Public sector entities (PSE) other than central Government	-	55	-	-	55
Banks (including multilateral development banks)	-	3,085	-	-	3,086
Securities companies	-	4,859	-	-	4,859
Corporations	-	-	12	1,146	1,157
Supervisory retail portfolios	-	-	-	10	10
Other assets	-	-	-	-	-
Total	23	7,999	12	1,156	9,190

	As of December 31, 2023				
Supervisory portfolio / risk weighting	**0%**	**20%**	**50%**	**100%**	**Total credit exposure**
Sovereigns	37	-	-	-	37
Public sector entities (PSE) other than central Government	-	17	-	-	17
Banks (including multilateral development banks)	-	3,613	-	-	3,613
Securities companies	-	3,161	-	-	3,161
Corporations	-	-	2	1,066	1,068
Supervisory retail portfolios	-	-	-	18	18
Other assets	-	-	-	-	-
Total	37	6,791	2	1,084	7,914

Composition of collateral with respect to exposure to counter-party credit risk[1] (CCR) (5CCR) (NIS in millions)

	As of September 30, 2024					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited		Fair value of collateral received	Fair value of collateral deposited
	Disconnected	Not disconnected	Disconnected	Not disconnected		
Cash – local currency	-	1109	-	98	4492	-
Cash – other currency	-	1,242	-	906	7	-
Domestic sovereign debt	-	480	-	-	50	-
Other sovereign debt	-	3	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	287	-	-	1	-
Shares	-	878	-	-	2,166	-
Other collateral	-	-	-	-	-	-
Total	**-**	3,999	**-**	1,004	6,715	**-**

	As of September 30, 2023					
	Collateral used in derivatives transactions			Collateral used in securities financing transactions		
	Fair value of collateral received		Fair value of collateral deposited	Fair value of collateral received		Fair value of collateral deposited
	Disconnected	Not disconnected	Disconnected	Not disconnected		
Cash – local currency	-	664	-	370	2,209	-
Cash – other currency	-	2,045	-	1,379	4	-
Domestic sovereign debt	-	374	-	-	11	-
Other sovereign debt	-	379	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	109	-	-	26	-
Shares	-	852	-	-	221	-
Other collateral	-	-	-	-	-	-
Total	**-**	4,883	**-**	2,059	2,342	**-**

	As of December 31, 2023					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited		Fair value of collateral received	Fair value of collateral deposited
	Disconnected	Not disconnected	Disconnected	Not disconnected		
Cash – local currency	-	1,711	-	108	2,032	-
Cash – other currency	-	1,418	-	1,244	6	-
Domestic sovereign debt	-	509	-	-	13	-
Other sovereign debt	-	178	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	292	-	-	30	-
Shares	-	1,738	-	-	215	-
Other collateral	-	-	-	-	-	-
Total	**-**	5,846	**-**	1,352	2,296	

(1) Amounts refer to collateral deposited or received with respect to exposures arising from counter-party credit risk related to transactions in derivatives or to securities financing transactions, including transactions settled by a Central Counter-Party (CCP)

Market risk

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). The Bank has no exposure to commodities and its exposure to shares is not material, so that its primary exposure to market risk is due to basis risk – the risk existing when assets and liabilities of the Bank are denominated in different currencies or in different linkage segments, and to interest rate risk, which is the risk to Bank profit and to Bank economic capital, primarily due to fluctuations in interest rates, fluctuations of various curves used by the Bank in its business operations 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. Changes to interest rates impact Bank profits (change in revenues) and the value of Bank assets (change in fair value).

For more information about market risk, see chapter "Market risk" in the 2023 Risks Report, available on the Bank website.

Market risk using the standard approach

Below are capital requirement components under the standard approach for market risk (NIS in millions):

	Risk assets as of:		
	September 30, 2024	**September 30, 2023**	**December 31, 2023**
Direct products			
Interest rate risk (general and specific)	1,461	1,243	1,345
Position risk in shares (general and specific)	38	36	35
Foreign currency risk	193	523	544
Commodities risk	-	-	-
Options	-	-	-
Delta Plus approach	63	53	33
Securitization	-	-	-
Total	**1,755**	**1,855**	**1,957**

Exposure in the trading portfolio is low, and mostly due to interest risk.

Quantitative information about interest risk in bank portfolio and in trading portfolio

The following is the net adjusted fair value[1] of the financial instruments of the Bank and subsidiaries thereof (in millions of NIS):

	As of September 30, 2024				
			Foreign currency		
	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total
Financial assets[2]	312,303	91,119	45,746	9,981	459,149
Other amounts receivable with respect to financial derivatives, complex and off-balance sheet financial instruments	262,553	5,055	255,765	29,447	552,820
Financial liabilities[2]	(300,124)	(56,447)	(58,776)	(15,191)	(430,538)
Other amounts payable with respect to financial derivatives, complex and off-balance sheet financial instruments	(278,907)	(6,497)	(241,969)	(25,024)	(552,397)
Net fair value of financial instruments	(4,175)	33,230	766	(787)	29,034
Effect of liabilities with respect to employee rights	(630)	(1,194)	-	-	(1,824)
Effect of attribution of on-call deposits to terms	5,569	-	422	278	6,269
Adjusted net fair value	764	32,036	1,188	(509)	33,479
Of which: Banking portfolio	(3,424)	27,156	4,089	(4,104)	23,726
Of which: Effect of early repayment of residential mortgages	598	(840)	(11)	(20)	(273)
Of which: Impact of early receptions of public deposits	(46)	28	-	-	(18)

	As of December 31, 2023				
Financial assets[2]	295,208	83,866	42,904	8,391	430,369
Other amounts receivable with respect to financial derivatives, complex and off-balance sheet financial instruments	223,726	4,276	227,019	22,344	477,365
Financial liabilities[2]	(283,244)	(50,662)	(61,594)	(10,192)	(405,692)
Other amounts payable with respect to financial derivatives, complex and off-balance sheet financial instruments	(243,664)	(6,169)	(207,750)	(20,867)	(478,450)
Net fair value of financial instruments	(7,974)	31,311	579	(324)	23,592
Effect of liabilities with respect to employee rights	(691)	(1,159)	-	-	(1,850)
Effect of attribution of on-call deposits to terms	4,053	-	424	349	4,826
Adjusted net fair value	(4,612)	30,152	1,003	25	26,568
Of which: Banking portfolio	(8,350)	26,612	297	(624)	17,935
Of which: Effect of early repayment of residential mortgages	972	33	1	(22)	984
Of which: Impact of early receptions of public deposits	(145)	80	-	-	(65)

(1) Net fair value of financial instruments, except for non-monetary items, after effect of liabilities with respect to employee rights and attribution of on-call deposits by terms.

(2) Excludes balance sheet balances of financial derivatives, fair value of off-balance sheet financial instruments and fair value of complex financial instruments.

The following is the impact of change scenarios in interest rates on net adjusted fair value(1) of the Bank and its subsidiaries (in millions of NIS):

	As of September 30, 2024					As of December 31, 2023				
			Foreign currency					Foreign currency		
	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total
Concurrent changes										
Concurrent 1% increase	(997)	(749)	(61)	6	(1,801)	(849)	(1,023)	216	74	(1,582)
Of which: Banking portfolio	(996)	(737)	(74)	7	(1,800)	(865)	(998)	224	71	(1,568)
Of which: Effect of attribution of on-call deposits to terms	1,389	-	187	124	1,700	1,148	-	172	142	1,462
Of which: Effect of early repayment of residential mortgages	1,571	1,049	1	2	2,623	1,341	918	-	2	2,261
Of which: Impact of early receptions of public deposits	(99)	(76)	-	-	(175)	(152)	(89)	-	-	(241)
Concurrent 1% decrease	639	547	(232)	(5)	949	631	870	(317)	(76)	1,108
Of which: Banking portfolio	633	534	(258)	(6)	903	646	844	(326)	(74)	1,090
Of which: Effect of attribution of on-call deposits to terms	(1,488)	-	(199)	(132)	(1,819)	(1,234)	-	(183)	(151)	(1,568)
Of which: Effect of early repayment of residential mortgages	(1,927)	(1,280)	-	(3)	(3,210)	(1,647)	(1,124)	-	(3)	(2,774)
Of which: Impact of early receptions of public deposits	104	84	-	-	188	159	99	-	-	258
Non-concurrent changes										
Steeper(2)	(838)	(121)	96	(10)	(873)	(955)	(398)	81	11	(1,261)
Of which: Banking portfolio	(850)	(120)	95	(12)	(887)	(906)	(259)	81	11	(1,073)
Shallower(3)	478	(195)	(12)	-	271	713	66	34	1	814
Of which: Banking portfolio	497	(195)	(13)	2	291	681	(19)	34	2	698
Short-term interest increase	120	(372)	164	(12)	(100)	224	(467)	255	31	43
Of which: Banking portfolio	149	(368)	160	(9)	(68)	228	(428)	254	31	85
Short-term interest decrease	(153)	339	(168)	13	31	(161)	516	(261)	(33)	61
Of which: Banking portfolio	(184)	335	(164)	10	(3)	(166)	477	(260)	(32)	19

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

The difference between exposure of the bank portfolio 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, is immaterial and amounts to NIS 24 million.

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.

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 thereto with regard to sensitivity of net adjusted fair value to changes in interest rates.

Below is impact of change scenarios in the interest rate on net interest revenues and non-interest financing revenues (in millions of NIS)[(1)(4)]:

Impact of change scenarios in interest rates on net interest revenues and non-interest financing revenues [(1)(4)]:

	As of September 30, 2024			As of September 30, 2023			As of December 31, 2023		
	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	(232)	341	109	130	(30)	100	64	238	302
Of which: Banking portfolio	56	332	388	126	(47)	79	56	212	268
Concurrent 1% decrease	(164)	(508)	(672)	(868)	(519)	(1,387)	(866)	(643)	(1,509)
Of which: Banking portfolio	(452)	(504)	(956)	(863)	(506)	(1,369)	(857)	(621)	(1,478)

(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.
(4) An interest increase/decrease scenario features is an assumption of the purchase/sale of bonds as well as the diversion of checking accounts to deposits.

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 4-5 years for different customer 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.
- Given the change in the interest rate environment, behavioral assumptions were updated with respect to current account balances in credit and the securities portfolio. The assumption is that under a scenario of rising interest rates, funds would be diverted from current account balances to interest-bearing deposits, as well as changes to bonds in the nostro portfolio.

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, 2023.

Additional information about interest risk

Exposure of the Bank and its subsidiaries to changes in interest rates

Reported sums in millions of NIS

	As of September 30, 2024					
	On Call to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years
Financial assets[(1)]	245,603	22,145	40,553	73,665	35,994	26,637
Other amounts receivable[(2)]	140,403	151,659	168,048	34,628	37,600	17,201
Financial liabilities	211,852	36,859	83,342	48,027	24,520	19,329
Other amounts payable[(2)]	140,339	151,367	168,262	34,904	37,835	17,554
Exposure to interest rate fluctuations	33,815	(14,422)	(43,003)	25,362	11,239	6,955
Additional details on exposure to changes in interest rates						
A. By nature of activity:						
Exposure in bank portfolio	32,811	(15,364)	(45,657)	20,718	11,156	6,730
Exposure in trading portfolio	1,004	942	2,654	4,644	83	225
B. By linkage basis:						
Israeli currency – non-linked	32,087	(14,332)	(46,836)	8,895	8,347	4,433
Israeli currency – linked to the CPI	(4,471)	1,328	10,723	15,708	2,852	1,801
Foreign currency [(4)]	6,199	(1,418)	(6,890)	759	40	721
C. Effect on exposure to interest rate fluctuations						
Effect of liabilities with respect to employee rights	(9)	(14)	(64)	(293)	(234)	(424)
Effect of attribution of on-call deposits to terms	40,675	(1,967)	(4,915)	(8,508)	(6,891)	(11,566)
Effect of early repayment of residential mortgages	876	1,656	6,381	8,449	312	(667)
Effect of other behavioral assumptions	(868)	(1,868)	(591)	(83)	2,339	843

(1) Excludes balance sheet balances of financial derivatives, fair value of off-balance sheet financial instruments and fair value of complex financial instruments. After effect of attribution of on-call deposits to terms.
(2) Amounts receivable and payable with respect to financial derivatives, complex and off-balance sheet financial instruments, after effect of employee rights liabilities.
(3) Weighted average by fair value of average effective duration.
(4) Includes Israeli currency linked to foreign currency.
(5) Difference between effective average duration of financial assets and effective average duration of financial liabilities.
* Reclassified

General remarks:

- In this table, data by period represents the present value of future cash flows from each financial instrument, discounted using the interest rate which discounts them to the fair value included for the financial instruments in Note 15 to the September 30, 2024 Financial Statements. For information about assumptions according to which the fair value of the financial instrument was calculated, see Note 33 to the Financial Statements as of December 31, 2023.
- Internal rate of return is the interest rate which discounts the expected cash flows from a financial instrument to its fair value recognized under Note 15 to the financial statements.
- Average effective duration of a group of financial instruments is an approximation of the change, in percent, in fair value of the group of financial instruments which would be caused by a minor change (0.1% increase) in the internal rate of return of each of the financial instruments.
- Certain transactions conducted by the Bank constitute complex financial instruments, which include embedded derivatives not detached, in accordance with Public Reporting Directives. These transactions include, inter alia, loans with exit points, deposits bearing graduated interest rates with withdrawal dates, credit and deposits with guaranteed minimum and deposits with optional linkage. The Bank reflects the interest rate risk with respect to these instruments in a reasonable manner, by spreading maturities of the cash flows in accordance with contract dates, and with various assumptions based on past experience.

Over 10 years to 20 years	Over 20 years	Without maturity	Total fair value	Internal rate of return	Average effective duration[3]	As of December 31, 2023 (*) Total fair value	Internal rate of return	Average effective duration[3]
				In %	in years		In %	in years
12,467	1,482	603	459,149	4.57	1.51	430,369	4.35	1.49
2,777	504	-	552,820		0.82	477,365		0.78
374	(36)	2	424,269	3.38	1.11	400,866	3.24	0.92
3,174	786	-	554,221		0.95	480,300		0.87
11,696	1,236	601	33,479			26,568		
11,576	1,155	601	23,726		0.14	17,935		0.21
120	81	-	9,753		1.68	8,633		3.61
6,943	643	584	764		[5]0.08	(4,612)		[5]0.20
3,895	200	-	32,036		[5]0.94	30,152		[5]1.48
858	393	17	679		[5]0.02	1,028		[5](0.03)
(493)	(293)	-	(1,824)	3.07	10.49	(1,850)	2.36	11.14
(559)	-	-	6,269	(3.26)	1.32	4,826	(3.06)	1.16
(12,199)	(5,081)	-	(273)	0.05	(1.28)	984	0.08	(1.24)
210	-	-	(18)	(0.13)	(0.81)	(65)	(0.01)	(0.27)

Liquidity risk

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

Liquidity risk is a unique, material risk due to the need to respond to such risk within the shortest time possible. Materialization of this risk may cause the Bank to incur significant losses, or may even bring about collapse of the Bank.

For more information about liquidity risk, see chapter "Liquidity risk" in the 2023 Risks Report, available on the Bank website.

Liquidity coverage ratio

Proper Bank Management Directive 221 on the subject of liquidity coverage ratio (LCR), determines the manner in which the ratio and the minimal rate required from the banking corporations is calculated. The purpose of the LCR is to improve the short-term durability of the liquidity risk profile of the banking corporations. This, through a demand to hold an adequate inventory of high quality liquid assets (HQLA), unpledged, which are convertible to cash easily and quickly in private markets in order to meet the liquidity requirements in a liquidity stress scenario covering 30 calendar days.

As required in the directive, the LCR, defined as the sum of high-quality liquid assets divided by the net exiting cash flow for 30 days, should be 100% or higher on a current basis.

Below is information about liquidity coverage ratio(1) (NIS in millions):

	For the three months ended September 30, 2024	
	Total unweighted value(2) (Average)	Total weighted value(3) (Average)
Total high quality liquid assets		
Total high quality liquid assets (HQLA)		**87,202**
Outgoing cash flows		
Retail deposits from individuals and from small businesses, of which:	185,002	11,410
Stable deposits	45,160	2,258
Less stable deposits	62,659	6,837
Deposits for term longer than 30 days	77,183	2,315
Non-secured wholesale financing, of which:	89,976	59,529
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	3,029	757
Deposits other than for operational needs (all counter parties)	85,725	57,549
Non-secured debts	1,222	1,222
Secured wholesale financing	-	238
Other liquidity requirements, of which:	188,310	76,157
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	67,159	67,159
Credit lines and liquidity	75,114	7,349
Other contractual financing obligations	-	-
Other contingent financing obligations	46,037	1,649
Total outgoing cash flows	**463,288**	**147,335**
Incoming cash flows		
Secured loans	2,498	255
Incoming cash flows from exposures repaid regularly	18,163	13,093
Other incoming cash flows	68,456	65,498
Total incoming cash flows	**89,118**	**78,846**
		Total adjusted value(4)
Total high quality liquid assets (HQLA)		**87,202**
Total outgoing cash flows, net		**68,489**
Liquidity coverage ratio (%)		**127**

(1) Information presented in terms of simple average of daily observations during the reported quarter. The number of observations used in calculating the averages in the third quarter of 2024 is 78.

(2) Un-weighted values are calculated as un-settled balances to be repaid or repayable by the holder within 30 days (for incoming and outgoing cash flows).

(3) Weighted values are calculated after applying appropriate safety factors or rates of incoming and outgoing cash flows (for incoming and outgoing cash flows).

(4) Adjusted values are calculated after applying: Safety factors and rates of incoming and outgoing cash flows, as well as other relevant limitations (i.e. limitation on high quality liquid assets and limitation on incoming cash flows, as set forth in Proper Conduct of Banking Business Directive 221).

Below is information about liquidity coverage ratio[(1)] (NIS in millions):

	For the three months ended September 30, 2023	
	Total unweighted value[(2)] (Average)	**Total weighted value[(3)] (Average)**
Total high quality liquid assets		
Total high quality liquid assets (HQLA)		**80,986**
Outgoing cash flows		
Retail deposits from individuals and from small businesses, of which:	180,093	10,587
Stable deposits	41,161	2,058
Less stable deposits	54,864	6,007
Deposits for term longer than 30 days	84,069	2,522
Non-secured wholesale financing, of which:	79,268	51,603
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	3,376	844
Deposits other than for operational needs (all counter parties)	75,815	50,682
Non-secured debts	77	77
Secured wholesale financing	-	200
Other liquidity requirements, of which:	151,676	62,132
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	55,399	55,399
Credit lines and liquidity	58,488	5,272
Other contingent financing obligations	37,789	1,461
Total outgoing cash flows	**411,037**	**124,523**
Incoming cash flows		
Secured loans	1,451	237
Incoming cash flows from exposures repaid regularly	15,703	11,417
Other incoming cash flows	57,088	54,268
Total incoming cash flows	**74,243**	**65,922**
		Total adjusted value[(4)]
Total high quality liquid assets (HQLA)		**80,986**
Total outgoing cash flows, net		**58,601**
Liquidity coverage ratio (%)		**138**

(1) Information presented in terms of simple average of daily observations during the reported quarter. The number of observations used in calculating the averages in the third quarter of 2023 is 74.

(2) Un-weighted values are calculated as un-settled balances to be repaid or repayable by the holder within 30 days (for incoming and outgoing cash flows).

(3) Weighted values are calculated after applying appropriate safety factors or rates of incoming and outgoing cash flows (for incoming and outgoing cash flows).

(4) Adjusted values are calculated after applying: Safety factors and rates of incoming and outgoing cash flows, as well as other relevant limitations (i.e. limitation on high quality liquid assets and limitation on incoming cash flows, as set forth in Proper Conduct of Banking Business Directive 221).

Below is information about liquidity coverage ratio[1] (NIS in millions):

	Three months ended December 31, 2023	
	Total unweighted value[2] (Average)	**Total weighted value[3] (Average)**
Total high quality liquid assets		
Total high quality liquid assets (HQLA)		**82,465**
Outgoing cash flows		
Retail deposits from individuals and from small businesses, of which:	179,357	10,644
Stable deposits	41,515	2,076
Less stable deposits	55,753	6,106
Deposits for term longer than 30 days	82,089	2,463
Non-secured wholesale financing, of which:	87,998	56,636
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	4,369	1,092
Deposits other than for operational needs (all counter parties)	82,562	54,476
Non-secured debts	1,068	1,068
Secured wholesale financing	-	221
Other liquidity requirements, of which:	147,354	59,512
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	52,945	52,945
Credit lines and liquidity	56,779	5,208
Other contractual financing obligations	-	-
Other contingent financing obligations	37,629	1,359
Total outgoing cash flows	**414,709**	**127,013**
Incoming cash flows		
Secured loans	1,507	252
Incoming cash flows from exposures repaid regularly	17,405	12,267
Other incoming cash flows	54,327	51,376
Total incoming cash flows	**73,239**	**63,895**
		Total adjusted value[4]
Total high quality liquid assets (HQLA)		**82,465**
Total outgoing cash flows, net		**63,118**
Liquidity coverage ratio (%)		**131**

(1) Information presented in terms of simple average of daily observations during the reported quarter. The number of observations used in calculating the averages in the fourth quarter of 2023 is 79.
(2) Un-weighted values were calculated as un-settled balances to be repaid or repayable by the holder within 30 days (for incoming and outgoing cash flows).
(3) Weighted values were calculated after applying appropriate safety factors or rates of incoming and outgoing cash flows (for incoming and outgoing cash flows).
(4) Adjusted values were calculated after applying: Safety factors and rates of incoming and outgoing cash flows, as well as other relevant limitations (i.e. limitation on high quality liquid assets and limitation on incoming cash flows, as set forth in Proper Conduct of Banking Business Directive 221).

Key factors that impact results of the liquidity coverage ratio

The major factors affecting the liquidity coverage ratio results are composition of Bank sources and uses. High quality liquid assets (HQLA) are assets at level 1, typically highly negotiable and carrying low risk, including: cash, current and deposit accounts with central banks, bonds of sovereigns with risk weighting of 0% and bonds of the State of Israel. Most of the outgoing cash flow is against non-secured wholesale financing – deposits deposited at the Bank by corporations and financial entities, as well as outgoing cash flows with respect to exposure to derivatives. Cash inflows primarily consist of credit receipts and inflows with respect to exposure to derivatives.

Typically, the ratio is mostly cyclical, and may be forecasted using internal estimates of the Bank. The key factor which affects over time the development of this ratio is growth of Bank operations, both in raising and managing the source structure and in increased uses. There is some volatility between days of the month, due to current activity of customers and interchangeability between NIS and foreign currency, primarily due to activity in NIS or foreign currency derivatives.

Composition of high quality liquid assets (HQLA)

Below is information about liquid assets by level, as required by Directive 221 (NIS in millions):

	September 30		Average for the third quarter	
	2024	2023	2024	2023
Level 1 assets	89,825	79,933	87,125	80,889
Level 2a assets	48	37	46	65
Level 2b assets	31	33	31	32
Total HQLA	**89,904**	**80,003**	**87,202**	**80,986**

There is a regulatory limit applicable to the U.S. branch, with regard to use of liquidity reserve by this entity; the Bank's scenarios assume use of the branch's liquidity in conformity with this limit.

Composition of pledged and un-pledged available assets

	As of September 30, 2024		
	Total balance on balance sheet	Of which: Pledged	Of which: Non-pledged
Cash and deposits with central banks	77,418	2,451	74,967
Bonds of the Government of Israel	23,364	603	22,761
Bonds of others in Israel	2,176	-	2,176
Bonds of overseas governments	4,150	335	3,815
Bonds of others overseas	354	-	354
Loans to the public, net	348,314	-	348,314
Total	455,776	3,390	452,386

	As of September 30, 2023		
	Total balance on balance sheet	Of which: Pledged	Of which: Non-pledged
Cash and deposits with central banks	79,274	3,630	75,644
Bonds of the Government of Israel	15,226	266	14,960
Bonds of others in Israel	1,980	-	2,000
Bonds of overseas governments	657	224	433
Bonds of others overseas	521	-	501
Loans to the public, net	323,590	3,536	320,054
Total	421,248	7,656	413,592

	As of December 31, 2023		
	Total balance on balance sheet	Of which: Pledged	Of which: Non-pledged
Cash and deposits with central banks	84,443	2,815	81,628
Bonds of the Government of Israel	19,452	265	19,187
Bonds of others in Israel	1,932	-	1,932
Bonds of overseas governments	583	216	367
Bonds of others overseas	486	-	486
Loans to the public, net	325,346	3,413	321,933
Total	432,242	6,709	425,533

Developments in liquidity coverage ratio

In the third quarter of 2024, the Bank maintained appropriate liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. The average liquidity coverage ratio (on consolidated basis) for the third quarter of 2024 was 127%, no deviations from the ratio limits were recorded over the course of the quarter.

Net stable funding ratio

Proper Bank Management Directive 222 on the subject of net stable financing ratio (NSFR), determines the manner in which the ratio and the minimal rate required from the banking corporations is calculated.

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 ratio limits over-reliance by banking corporations on short-term wholesale funding. The net stable funding ratio consists of two components: available stable funding items and required stable funding items.

As required in the directive, defined as the sum of the “available stable financing” divided by the sum of the “required stable financing”, the net stable funding ratio should be 100% or higher on regular basis.

"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 sum is based on the liquidity attributes and time to maturity of various assets held by the banking corporation, as well as of off-balance sheet exposures. The “required stable funding” is based on the liquidity attributes and time to maturity of various assets held by the banking corporation, as well as of off-balance sheet exposures.

Below is information about the net stable funding ratio[1] (NIS in millions) as of September 30, 2024:

	A	B	C	D	E
	Non-weighted value by term to maturity				Weighted value
Available stable funding items (ASF)	No redemption date[1]	Up to 6 months	6-12 months	12 months or longer	
Capital:	35,177	18	21	5,291	40,479
Supervisory capital	35,177			1,632	36,809
Other capital instruments		18	21	3,659	3,670
Retail deposits from individuals and from small businesses		142,971	21,117	5,634	155,888
Stable deposits		48,330	3,181	974	49,909
Less stable deposits		94,641	17,937	4,659	105,979
Wholesale financing		173,543	32,822	41,717	97,420
Deposits for operational needs		2,714			1,357
Other wholesale financing		170,828	32,822	41,717	96,063
Liabilities with matching assets which are inter-dependent					
Other liabilities:	183	4,350	2,302	6,151	7,302
Liabilities with respect to derivative instruments for net stable funding ratio				4,189	
All other liabilities and capital not included in the above categories	183	4,350	2,302	6,151	7,302
Total available stable funding items (ASF)					301,090
Required stable funding items (RSF)					
Total high-quality liquid assets by net stable funding ratio (HQLA)					1,147
Deposits held at other financial institutions for operational purposes					
Loans and securities in good standing:		70,535	34,791	251,009	251,523

	A	B	C	D	E
	Non-weighted value by term to maturity				Weighted value
Available stable funding items (ASF)	**No redemption date[1]**	**Up to 6 months**	**6-12 months**	**12 months or longer**	
Loans to financial institutions in good standing, secured by level 1 high-quality liquid assets					
Loans to financial institutions in good standing, secured by high-quality liquid assets other than in level 1, and loans to financial institutions in good standing which are not secured		7,892	9,777	9,683	15,756
Loans to wholesale customers, other than financial institutions, which are in good standing, loans to retail customers and to small businesses and loans to sovereigns, to central banks and to public sector entities		51,791	14,237	41,478	67,653
Of which: With risk weighting of 35% or lower, pursuant to Proper Conduct of Banking Business Directive 203				3	2
Residential mortgages secured by mortgage in good standing, of which:		10,851	10,776	199,520	167,835
Of which: With risk weighting of 35% or lower, pursuant to Proper Conduct of Banking Business Directive 203		3,603	3,635	62,855	44,475
Securities not in default which do not qualify as high-quality liquid assets, including shares traded on the stock exchange		1	1	327	279
Assets with corresponding liabilities which are inter-dependent					
Other assets:	2,669	1,605	1,007	1,026	7,947
Physically traded commodities, including gold					
Assets deposited as primary collateral for derivative contracts and provided to default funds of central counter parties (CCPs)				1,588	1,588
Assets with respect to derivative instruments for net stable funding ratio				4,612	21
Liabilities with respect to derivative instruments for net stable funding ratio, before deduction of variable collateral deposited				31	31
All other asset categories not included in the above categories	2,669	1,605	1,007	1,026	6,307
Off-balance sheet items				122,977	5,497
Total required stable funding (RSF)					266,114
Net stable funding ratio (%)					113

(1) Items reported under "No maturity" are items with no specified maturity.

Key factors that impact results of the net stable funding ratio

Net stable funding ratio on consolidated basis as of September 30, 2024 was 113%, and no deviations were recorded from the risk appetite limits.

The 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 customers 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.

Glossary of terms included on the risks report

Below is a summary of terms used on the risks report:

Terms with regard to risk management and capital adequacy at the Bank

B	**Basel – Basel II / Basel III** – A framework for assessment of capital adequacy and risk management, published by the Basel Committee on Bank Supervision.
C	**CVA – Credit Valuation Adjustment risk – 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 from revaluation to market value due to expected counter-party risk for over-the-counter (OTC) derivatives. This means loss due to impairment of fair value of derivatives, due to increase in counter-party credit risk (such as: lowered 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.
H	**High Quality Liquid Assets (HQLA)** – high-quality liquid assets which can be quickly and easily converted into cash, with a small loss of value or with no such loss under a stress scenario.
I	**ICAAP- Internal Capital Adequacy Assessment Process** – internal process for assessment of overall capital adequacy at the Bank. The process includes, *inter alia*, setting capital targets, capital planning processes and review of the status of capital under diverse stress scenarios. This process is part of Pillar 2 of the Basel II directive.
L	**LGD (Loss Given Default)** – Loss rate from credit should the customer go into default.
M	**Minimum capital ratio** – The ratio represents the minimum supervisory capital ratios which the Bank is required to maintain, pursuant to requirements set forth in Proper Conduct of Banking Business Directive 201.
P	**PD (Probability of Default)** – Probability (in percent) of a borrower going into default within a specified time.
	Pillar 2 – The second pillar of the Basel II document, referring to the supervisory review process. This part consists of the following underlying principles: The Bank shall conduct an ICAAP process, as defined above. The banking supervision shall conduct a process to assess the bank's capital adequacy assessment process, to review the bank's capacity to monitor and comply with supervisory capital ratios. The bank is expected to operate above the minimum capital ratios specified.
	Pillar 3 – The third pillar of the Basel II document, designed to promote market discipline by developing a set of disclosure requirements that would allow market participants to assess the capital, risk exposure and risk assessment processes, and accordingly – to assess the bank's capital adequacy.
R	**Risk assets** – Composed of credit risk, operating risk and market risk, calculated using the standard approach, as set forth in Proper Conduct of Banking Business Directives 201-211.
	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 reported and presented to the Board of Directors quarterly.
S	**Standard approach** – An approach used to calculate the required capital with respect to credit risk, market risk or operational risk. The capital allocation is calculated by a formula based on supervisory assessment components, as specified by the Supervisor of Banks.
	Stress tests – Term covering multiple methods designed to assess the financial standing of a banking corporation under a stress scenario.
	Supervisory capital (total capital) – Supervisory capital consists of two tiers: Tier I capital, which includes Tier I equity and additional Tier I capital and Tier II capital. As defined in Proper Conduct of Banking Business Directive 202 "Capital measurement and adequacy – Supervisory capital".

Terms with regard to banking and finance

A	**Bonds** – Securities which are issuer obligations to pay to bond holders the issued principal and interest upon set dates or upon fulfillment of certain conditions.
H	**Indebtedness** – On- and off-balance sheet credit, as defined in Proper Conduct of Banking Business Directive 313.
	Non-accruing debt – Debt reviewed on individual basis where it is expected that the banking corporation would not be able to collect all amounts due and principal and interest payments in accordance with contractual terms and conditions of the debt agreement. Debt reviewed on individual basis is categorized as non-accruing in any case where principal or interest is in arrears over 90 days straight, unless the debt is well secured and is in collection proceedings.
J	**Recorded debt balance** – The debt balance, including recognized accrued interest, un-amortized premium or discount, net deferred commissions or net deferred costs charged to the debt balance and not yet amortized, net of any debt amount subject to accounting write-off. Financial instrument – A contract that creates a financial asset for one entity and a financial liability or capital instrument for another entity.
N	**Derivative instrument** – 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.

Terms with regard to regulatory directives

ABC	**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 measure of the Bank's capacity to meet its liquidity needs for the coming month.

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