RISK MANAGEMENT REPORT AS OF 30.09.2026 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 2026

This translation of the financial statement is for convenience purposes only. The only binding version of the financial statement 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 Information

Primary table of contents

Forward-Looking Information	7
Key Supervisory Ratios And Overview Of Risk Management And Risk Assets	8
Key Supervisory Ratios – Key Data	8
Bank approach to risk management	10
General Information Regarding Management Of Various Risks And The Risk Profile	10
Risk Factors	12
Major And Emerging Risks	12
Overview Of Weighted Risk Assets	15
Capital And Leverage	16
Composition Of Supervisory Capital	16
Leverage Ratio	18
Credit Risk	20
Credit Quality Of Credit Exposures	21
Credit Risk By Economic Sector	22
Credit Risk By Economic Sector	24
Credit Risk Using The Standard Approach	26
Standard Approach – Exposures By Asset Type And Risk Weighting (Cr5)(1)(2)	26
Counter-Party Credit Risk	27
Market Risk	30
Market Risk Using The Standard Approach	30
Quantitative Information About Interest Risk In Bank Portfolio And In Trading Portfolio	31
Exposure Of The Bank And Its Subsidiaries To Changes In Interest Rates	34
Liquidity Risk	36
Liquidity Coverage Ratio	36
Developments In Liquidity Coverage Ratio	40
Net Stable Funding Ratio	40
Other Risks	42
Glossary Of Terms Included In The Risk Management Report	43

List of tables included in the risks report

Key supervisory ratios – key data	8
Overview of weighted risk assets	15
Composition of supervisory capital	16
Information regarding the Bank's leverage ratio	18
Disclosure with regard to leverage ratio	19
Credit quality of credit exposures (CR1)	21
Credit risk mitigation methods	24
Standard approach – exposures by asset type and risk weighting (CR5)	26
Analysis of exposure to counter-party credit risk (CCR) based on the supervisory approach (CCR1)	27
Capital allocation with respect to credit risk valuation adjustment (CVA) (CCR2)	27
Standard approach – exposures to counter-party credit risk (CCR) by supervisory portfolio and risk weightings (CCR3)	28
Composition of collateral with respect to exposure to counter-party credit risk	29
Capital requirement components under the standard approach for market risk	30
Net adjusted fair value of the financial instruments of the Bank and consolidated companies thereof	31
The impact of scenarios of changes in interest rates on net adjusted fair value of the Bank and its consolidated companies	32
is the effect of scenarios of changes in the interest rate on net interest revenues and non-interest financing revenues	32
Impact of scenarios simulating changes in interest rates on shareholders' equity attributed to Bank shareholders	33
Exposure of the Bank and its subsidiaries to changes in interest rates	34
Information regarding the liquidity coverage ratio	36
Composition of high quality liquid assets (HQLA)	39
Composition of pledged and un-pledged available assets	39
Information about net stable funding ratio	41

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, 2026. 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 16, 2026.

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 2025 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.

Avraham Zeldman
Chairman of the Board of Directors

Moshe Lari
President & CEO

Ofer Horvitz
Vice-president Chief Risks Officer (CRO)

Approval date of the financial statements and risks report:
Lod, November 16, 2026

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):

	2026			2025			
	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]	37,196	36,582	35,692	35,239	34,406	33,591	32,629
Tier I capital before effect of transitional provisions	37,196	36,582	35,692	35,239	34,406	33,591	32,629
Total capital	47,866	46,487	45,691	44,910	44,243	42,749	41,855
Total capital before effect of transitional provisions	47,866	46,487	45,691	44,910	44,243	42,749	41,855
Risk weighted assets							
Total risk weighted assets (RWA)	368,258	358,082	351,030	344,155	339,205	322,657	314,583
Capital adequacy ratio (in %)							
Tier I capital ratio[1]	10.10	10.22	10.17	10.24	10.14	10.41	10.37
Tier I capital ratio before effect of transitional provisions	10.10	10.22	10.17	10.24	10.14	10.41	10.37
Total capital ratio	13.00	12.98	13.02	13.05	13.04	13.25	13.30
Total capital ratio before effect of transitional provisions	13.00	12.98	13.02	13.05	13.04	13.25	13.30
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]	0.50	0.62	0.57	0.64	0.54	0.81	0.77
Leverage ratio[3]							
Total exposure	626,745	631,901	605,827	599,134	572,454	556,629	540,851
Leverage ratio (in %)	5.93	5.79	5.89	5.88	6.01	6.03	6.03
Leverage ratio before effect of transitional provisions (in %)	5.93	5.79	5.89	5.88	6.01	6.03	6.03
Liquidity coverage ratio[4]							
Total high quality liquid assets	97,941	101,593	112,384	95,546	93,839	96,636	92,696
Total outgoing cash flows, net	76,904	76,872	76,692	74,005	71,365	71,607	66,543
Liquidity coverage ratio (in %)	127	132	147	129	131	135	139
Net stable funding ratio[5]							
Total available stable funding	358,688	352,764	346,638	331,061	326,864	321,248	314,616
Total required stable funding	325,859	320,108	313,524	296,626	293,031	286,456	278,777
Net stable funding ratio (in %)	110	110	111	112	112	112	113
Performance benchmarks							
Net profit return on equity[6][7]	15.0	16.0	14.1	16.3	17.6	17.8	16.2
Net profit return on risk assets[6][7]	1.49	1.61	1.41	1.63	1.78	1.81	1.66
Deposits from the public to loans to the public, net	107.3	112.0	109.0	112.0	107.6	110.8	109.6
Key credit quality benchmarks							
Ratio of balance of provision for credit losses to total loans to the public	0.83	0.85	0.89	0.95	0.98	1.06	1.11
Ratio of non-accruing debts or debts in arrears 90 days or longer to loans to the public	0.87	0.95	1.03	1.02	1.05	1.07	1.12
Expenses with respect to credit losses to loans to the public, net for the period[7]	0.06	0.08	0.03	0.02	0.04	0.06	0.11
Of which: With respect to group provision	0.02	(0.02)	(0.11)	(0.08)	(0.05)	0.01	(0.03)
Of which: With respect to commercial loans other than residential mortgages	0.21	0.25	0.20	0.20	0.19	0.16	0.40
Of which: with respect to residential mortgages	(0.04)	(0.03)	(0.09)	(0.09)	(0.05)	(0.01)	(0.06)
Ratio of net accounting write-offs to average loans to the public[7]	0.11	0.13	0.16	0.09	0.17	0.13	0.15

	Nine months		All of
	2026	2025	2025
Performance benchmarks			
Net profit return on equity[6][7]	15.0	17.2	17.0
Net profit return on risk assets[6][7]	1.50	1.75	1.72
Key credit quality benchmarks			
Expenses with respect to credit losses to loans to the public, net for the period[7]	0.06	0.07	0.06
Of which: With respect to group provision	(0.04)	(0.01)	0.02
Of which: With respect to commercial loans other than residential mortgages	0.21	0.23	0.34
Of which: with respect to residential mortgages	(0.05)	(0.04)	0.03
Ratio of net accounting write-offs to average loans to the public[7]	0.13	0.14	0.13

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 various material financial and non-financial risks, 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 concentration risks, 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, model risk and other risks mitigated as part of business management at the Bank, such as: Reputational risk, climate and environmental risks, strategic business risk and business and geopolitical environment risk.
This chapter describes the responsibility of management and of the Board of Directors in risk assessment and management processes, designed to disclose to stakeholders relevant, material information for understanding all significant risks to which the Bank is exposed, the Bank's risk tolerance and risk appetite with respect to its major operations, the Bank's risk profile and material developments in the reported period which have material potential to impact risks and risk management at the Bank.

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. The Bank’s policy documents for risk control and management are based on these 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 Group'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 Bank’s risk appetite - the overall risk level which the Bank is willing to assume.

Developments in the business and geopolitical environment

During the third quarter of 2026, the Israeli economy continues to operate in an environment of geopolitical uncertainty alongside recovery in economic activity.

Israel's risk premium stands close to its level prior to the war, which started in October 2023. This occurred alongside an increase in domestic share indices and a certain devaluation of the shekel against the dollar.

In the current quarter, the risk assessments remained unchanged for all risks compared to the second quarter of 2026, and they reflect the uncertainty regarding the geopolitical risks, and the uncertainty as to its future economic effects and the macroeconomic environment. As in previous quarters, no material changes were observed in the various risk benchmarks during this quarter. The credit-quality indicators do not point to a deterioration or the emergence of material risk concentrations. The Bank will continue assessing the risk assessments in the forthcoming quarters in accordance with developments and economic conditions.

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

During the third quarter of 2026, the rating agencies did not change the rating and the rating outlook. On November 7, 2026, the rating agency S&P announced its affirmation of the rating at A with a stable rating outlook. On November 1, 2026, the rating agency Moody's announced its affirmation of the rating at Baa1 with a stable rating outlook. On October 30, 2026 the rating agency Fitch affirmed Israel's credit rating at A with a negative rating outlook.

Rating agency	Credit Rating	Rating outlook	Latest rating update
S&P	A	Stable	During 2024, the rating was downgraded and the rating outlook remained negative. May 9, 2025 - the rating and the rating outlook were not changed due to security and economic risks. November 7, 2025 - affirmation of the rating and upgrading the rating outlook to stable against the backdrop of the ceasefire agreement which eased security tensions in the area and supported the recovery of Israel's economy. May 9, 2026 - the rating and the rating outlook were not changed due to Israel's economic robustness and despite the military conflicts and the uncertainty.
Moody's	Baa1	Stable	During 2024, the rating was downgraded by three notches and the rating outlook remained negative. July 9, 2025 - the rating and the rating outlook were not changed. October 17, 2025 - the rating and the rating outlook were not changed. January 31, 2026 - upgrading the rating outlook to stable in view of the decline in security risks. July 15, 2026 - the rating and the rating outlook were not changed. The Israeli economy has demonstrated robustness amid geopolitical challenges, but the security environment remains unstable. November 1, 2026 - affirmation of the rating and the rating outlook.
Fitch	A	Negative	During 2024, the rating was downgraded and the rating outlook remained negative. March 31, 2025 - the rating and the rating outlook were not changed due to security and economic risks. October 19, 2025 - the rating and the rating outlook were not changed. October 30, 2025 - The rating outlook of the five largest banks was revised to stable and the rating was affirmed at A-. The revision reflects the banks' robustness since the beginning of the war. March 27, 2026 - the rating and the rating outlook remained at A and the rating outlook remained negative. October 30, 2026 - the A rating and the negative rating outlook were affirmed.

The banks' rating is influenced by the country's rating, and the Bank's credit rating and credit forecast was revised accordingly.

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 May 2026, the Bank delivered to the Bank of Israel the results of the stress scenario for 2025. According to the results of the stress scenario, the Bank retains its robustness and stability throughout the scenario period, while maintaining adequate regulatory capital and leverage ratios. For more information regarding the uniform scenario outline for 2025, see the Risks Report for the second quarter of 2026.

Risk factors

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 factor, the Bank estimates its potential impact on business operations over the coming year, in accordance with a scale comprising 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 (a self-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. This is based on risk benchmarks, qualitative parameters and subjective assessments.
Furthermore, on a quarterly basis, in line with results of the Bank's annual ICAAP process, up-to-date risk assessments are carried out for each of the risks in accordance with the actual risk profile, which include 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 the current quarter, the risk assessments remained unchanged and reflect the security and economic uncertainty.

For details, see the 2025 Risks Report and the Risks overview chapter in the 2025 financial statements.

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.

   The strategic business level remains unchanged, at a low-medium level. Strategic business risk incorporates all of the Bank's business operations, also reflecting the risk in the Bank's business environment. The Bank maintains appropriate safety margins for minimum capital and leverage ratios.

   On June 4, 2025, the Bank's Board of Directors approved a new strategic plan for 2025-2027 (hereinafter - the "Plan Period"). For further details regarding the strategic plan and the assumptions and data the plan relies upon, which may not materialize or materialize in a different manner and therefore cause the new strategic plan not to materialize or materialize in a different manner ("Forward-looking information protection"), see immediate report of June 5, 2025 (Ref. No.: 2025-01-040290) and immediate report dated March 30, 2026 (Ref. No.: 2026-01-029795).
2. **Business and geopolitical environment risk** - reflects exogenous risks arising from the business environment in which the Bank operates and the uncertainty as to the security, economic and geopolitical conditions in Israel. The business and geopolitical environment risk is assessed as medium-high and also includes the risk involving potential effects on anti-banking regulation, and the effects of the macroeconomic risk, regarding which there is uncertainty as to the extent of the impact of the economic and security developments in Israel.

   Macro-economic risk – The Bank's activity is affected by 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 the Bank's activity. In the third quarter of 2026 the Israeli economy continued to recover despite geopolitical effects.

   In its latest interest decision of October 2026, the Bank of Israel held its interest rate at 3.25%. In September 2026, the Bank of Israel cut its interest rate again by 0.25%, to 3.25%. This cut followed 4 interest-rate cuts of 0.25% each

starting in November 2025. Since the beginning of the year, the Consumer Price Index (CPI "in lieu") increased by 1.6%. During the third quarter of 2026, the appreciation rate of the shekel has subsided and the shekel stabilized both against the dollar and against the Euro.

According to a publication by the Bank of Israel's Research Division of October 2026, GDP in Israel is expected to grow by 5.6% in 2026 (3.4% net of production abroad activity), and annual inflation in 2026 is expected to stand at 1.5%, within the target range of the Bank of Israel.

The Bank regularly assesses the macroeconomic risk, monitors the potential effects on the credit portfolio and on sectors with high sensitivity, and modifies the credit policy accordingly. Furthermore, the collective provision is increased in respect of macroeconomic uncertainty.

Regulatory risk – reflects the risk of legislation, including legislation in progress, in core banking areas, as well as new regulation and regulatory expectations of regulatory entities, whether in progress or completed, which may potentially impact core banking operations.

This risk includes aspects pertaining to the threat to impose international sanctions on Israel. The Bank assesses and monitors this risk on an ongoing basis.

3. **IT 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 and Bank needs, multitude of banking regulatory requirements and the need to implement technological tools within a short timeframe. The Technology Division operates to support normal Bank operations and to provide a response to current and future technology requirements for such operations.

   Under the bolstering of its technological infrastructure, the Bank invests extensively in technology systems in order to address the evolving challenges of the business environment, and to maintain its differentiation as an advanced yet people-focused bank while providing advanced technological solutions, implementing the use of AI-based business, technological, and operational solutions, and mitigating various aspects of technological risk. 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. The risk level remained medium.

4. **Information security and cyber defense risk** - a risk arising from deficiencies in protection of the Bank's computer systems and information stored therein. 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.

   In view of the war with Iran and attacks on Iranian cyberspace, and in particular the damage to the Iranian banking system, a global increase in threat factors has been identified, and primarily, an increase in Iran's motivation to potentially conduct cyberattacks on the Israeli banking-financial system, which have the potential of being successful. The Bank constantly enhances and improves its control and protection function and monitors developments in risk aspects.

   During the third quarter of 2026, the assessment of information security and cyber risk levels remained unchanged at medium-high, having been increased from medium in the second quarter of 2025. The Bank is making preparations for the emerging threat in recognition that the expansion of the use of AI technologies by attackers and the deployment of offensive AI tools might lead to more sophisticated cyberattacks. The Bank is studying the risk and preparing for it through an orderly plan to improve the effectiveness of the controls and defense capabilities.

5. **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 the provisions of the Privacy Protection Law, 1981 and regulations promulgated thereunder. As part of the Bank's addressing this issue, the Chief Compliance Officer was appointed as the officer in charge of privacy protection.

   The Bank has minimal 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

[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.

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.

Compliance and regulatory risk remained Low-Medium. The Bank applies the current and new regulatory provisions. The Bank continues to closely monitor and mitigate all aspects of the risks: Compliance (including conduct, fairness and privacy-protection compliance), AML and terror financing risk. The Bank operates within the international banking framework that applies cross-border enforcement rules, and has therefore set a specific policy regarding the management of cross-border risks and the implementation of international sanctions.

6. **Artificial Intelligence (AI) risks** - the Bank takes action to implement AI solutions in its technological and business domains in order to improve customer services and the Bank's internal work processes and technological development capabilities and support a faster and more accurate decision-making processes by employees and managers. The incorporation of AI applications in the banking system constitutes an opportunity to streamline and improve processes; however, it also involves risks, such as: Model risk, information security and cybersecurity risks, etc. Therefore, the Bank ensures a responsible and gradual implementation supported by risk management and monitoring and control processes. The Bank has in place control and monitoring mechanisms in line with corporate governance principles defined to achieve adequate risk management.

7. **Environmental risk and climate risk** – such risks are part of ESG (Environment, Society and Governance) risks - emerging risks which are characterized with greater changes 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 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.

   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 implementing Proper Conduct of Banking Business Directive 345 "Principles for effective management of climate-related financial risk", which entered into effect in June 2026.

   For more information regarding the management of these risks, see the Environment, society and governance chapter to the 2025 Report of the Board of Directors and Management and the 2025 ESG report, which includes the report of the Task Force on Climate-Related Financial Disclosures (TCFD), which presents the Bank's preparations for effective management of climate risks.

Overview of weighted risk assets

	Risk weighted assets		Minimum capital requirements[1]
	As of September 30, 2026	As of June 30, 2026	As of September 30, 2026
Credit risk (standard approach)[2]	333,249	323,116	41,656
Counter-party credit risk (standard approach)	5,039	4,627	630
Credit risk value adjustment (CVA)[3]	1,665	1,667	208
Settlement risk	347	340	43
Amounts lower than discount threshold (subject to 250% risk weighting)	5,419	5,447	677
Total credit risk	**345,719**	**335,196**	**43,214**
Market risk (standard approach)	2,281	2,767	285
Operational Risk[4]	20,119	20,119	2,515
Total	**368,119**	**358,082**	**46,014**

(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) As from January 1, 2026 the Bank applies the new directives to the calculation of capital requirements in respect of operational risk. For more information see Note 9 to the financial statements.

The change in risk assets in the third quarter of 2026 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
		2026	2025	2025
				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	3,823	3,765	3,784
2	Retained earnings, including dividends proposed or announced after the balance sheet date	32,903	30,243	30,906
3	Cumulative other comprehensive income and retained earnings disclosed	(59)	(43)	75
5	Ordinary shares issued by consolidated subsidiaries of the banking corporation, which are held by a third party (non-controlling interests)	640	632	646
6	**Tier I equity before regulatory adjustments and deductions**	37,307	34,597	35,411
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	-	5	-
11	Accumulated other comprehensive income with respect to cash flows hedging of items not listed at fair value on the balance sheet	(49)	3	-
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	7	18	8
26	Supervisory adjustments and other deductions stipulated by the Supervisor of Banks	92	78	77
28	**Total supervisory adjustments and Tier I deductions**	137	191	172
29	**Tier I shareholders' equity**	37,170	34,406	35,239
Additional Tier I capital: Instruments				
44	**Additional Tier I capital**	-	-	-
45	**Tier I capital**	37,170	34,406	35,239
Tier II capital: Instruments and provisions				
46	Instruments issued by the banking corporation (not included in Tier I capital) and premium for such instruments	2,297	1,984	1,914
48	Tier II capital instruments issued by subsidiaries of the banking corporation to third-party investors	4,883	4,159	4,137
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	3,495	3,694	3,620
51	**Tier II capital before deductions**	10,675	9,837	9,671
Tier II capital: Deductions				
57	**Total deductions from Tier II capital**	-	-	-
58	**Tier II capital**	10,675	9,837	9,671
59	**Total capital**	47,845	44,243	44,910
60	**Total risk weighted assets**	368,119	339,205	344,155
Capital ratios and capital preservation cushions				
61	Tier I shareholders' equity	10.10%	10.14%	10.24%
62	Tier I capital	10.10%	10.14%	10.24%
63	Total capital	13.00%	13.04%	13.05%
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	46	48	56

		As of September 30		As of December 31
		2026	2025	2025
				NIS in millions
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	5	4	4
75	Deferred tax assets created due to temporary differences, which is below the amortization threshold	2,163	2,325	2,223
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	3,495	3,694	3,620
77	Cap for inclusion of provision in Tier II with regard to exposures under the standard approach	4,321	3,911	3,973

Supervisory requirement

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, 2026, 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).

Leverage ratio

The Bank applies the rules set in Proper Conduct of Banking Business Directive 218 with regard to leverage ratio, which adopts the Basel Committee's recommendations on leverage ratio.
The leverage ratio is reflected in percent, defined as the ratio of Tier I capital to total exposures. Total exposure for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items.
According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.
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 on this date would be required to revert to the required leverage ratio required prior to the temporary order within two quarters.

On September 14, 2025, the Supervisor of Banks published a circular, which extended the relief by one further year through December 31, 2026.

The Bank's leverage ratio as of September 30, 2026 is 5.93%, compared to 5.79% as of June 30, 2026 and 5.88% as of December 31, 2025.

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, 2026**	**As of September 30, 2025**	**As of December 31, 2025**
Total assets according to consolidated financial statements	575,227	525,389	551,173
Adjustments with respect to financial derivatives	4,709	3,122	3,194
Adjustments with respect to off-balance sheet items(1)	50,661	45,933	46,948
Other adjustments	(4,056)	(1,990)	(2,181)
Exposure for leverage ratio	**626,541**	**572,454**	**599,134**

(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, 2026	As of September 30, 2025	As of December 31, 2025
Composition of exposures and leverage ratio (NIS in millions)			
On-balance sheet exposures			
Assets on balance sheet	548,614	508,180	532,590
Amounts with respect to assets deducted to determine Tier I capital	(87)	(92)	(87)
Total on-balance sheet exposures	**548,527**	**508,088**	**532,503**
Exposures with respect to derivatives			
Subrogation cost for all transactions with respect to derivatives	2,803	2,478	1,958
Additional amounts with respect to future potential exposure for all transactions with respect to derivatives	8,982	6,916	7,364
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	**11,785**	**9,394**	**9,322**
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	15,568	9,039	10,361
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	**15,568**	**9,039**	**10,361**
Other off-balance sheet exposures			
Off-balance sheet exposure in par value, gross	167,387	152,476	156,694
Adjustments with respect to conversion to credit equivalent amounts	(116,726)	(106,543)	(109,746)
Off-balance sheet items	50,661	45,933	46,948
Capital and total exposure			
Tier I capital	37,170	34,406	35,239
Total exposure	626,541	572,454	599,134
Leverage ratio			
Leverage ratio in conformity with Proper Conduct of Banking Business Directive 218	5.93%	6.01%	5.88%
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 / borrower group and to economic sectors, geographic concentration risk, risk due to exogenous changes which mostly involve changes to the borrower's macro-economic environment, environmental risks and climate risks, overseas credit risks and operational risks which, should they materialize, would have implications for credit risks. Moreover, such risk is interrelated to multiple other risks, such as market and interest risk, liquidity risk, compliance risks and other risks.
Credit is at the core of banking activity, and therefore this is a significant risk in the activity of the banking system.

Risk assessment developments:
In the third quarter of 2026, the positive trend in economic activity in Israel continued and economic activity was uninterrupted without any indication to increased risk levels compared to previous quarters. In the construction and real estate sector sales have been slowing down for some time; the Bank has expanded its monitoring and control processes regarding risk concentrations in the portfolio, and at this stage these processes did not indicate the materialization of risks in these concentrations. It is noted that no material effect on the credit portfolio was identified.
The overall impact of the credit risk remains medium against the backdrop of uncertainty regarding the geopolitical risks, and the potential effect of the economic conditions on the business sector.

Overall effect of credit risks
In the third quarter of 2026, the overall level of credit risk remained medium. Against the backdrop of the geopolitical uncertainty, the credit quality metrics remained stable. The Bank monitors and assesses the risk measures and risk levels on an ongoing basis, adapting them as required to current business activity, subject to and in line with the risk appetite.
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.

A. 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’s activity in this sector is mostly focused on extending credit for construction using the financial support method (closed-end financing). 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. 18.5%. Stabilization of the security and political conditions and the easing in the interest rate environment may cause buyers to return to the market and increase the rate of sales, which has slowed down in the past few quarters. The Bank monitors the development of the sector's risk characteristics and the effects of changes on Bank operations, including monitoring the portfolio and focusing on risk concentrations, including areas with high levels of unsold inventory, non-linear purchase contracts and transaction cancellations; so far, no risk materialization has been identified in those risk concentrations.
For more information see Note 1 to the financial statements.
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.

B. Credit risk in the residential mortgage portfolio

The risk level in the mortgages portfolio remains unchanged, at a low-medium level, due to the high uncertainty regarding the geopolitical risks. The risk benchmarks in the third quarter of 2026 did not indicate a material change in risk level, and therefore the risk assessment remained unchanged. The Bank continues to monitor the developments and their impact of economic growth and activity.

For more information about credit risk, see chapter "Credit risk" in the 2025 Risks Report, available on the Bank website.

Credit quality of credit exposures

	September 30, 2026			
	Gross balances[1]			
	Non-accruing or in arrears 90 days or longer	Others	Provisions for credit losses	Net balance
Debts, except for bonds	3,842	489,798	3,632	490,008
Bonds	-	19,383	-	19,383
Off-balance sheet exposures[2]	18	167,657	253	167,422
Total	**3,860**	**676,838**	**3,885**	**676,813**

	September 30, 2025			
	Gross balances[1]			
	Non-accruing or in arrears 90 days or longer	Others	Provisions for credit losses	Net balance
Debts, except for bonds	4,158	447,209	3,893	447,474
Bonds	-	30,980	-	30,980
Off-balance sheet exposures[2]	55	152,648	262	152,441
Total	**4,213**	**630,837**	**4,155**	**630,895**

	December 31, 2025			
	Gross balances[1]			
	Non-accruing or in arrears 90 days or longer	Others	Provisions for credit losses	Net balance
Debts, except for bonds	4,108	468,887	3,854	469,141
Bonds	-	28,340	-	28,340
Off-balance sheet exposures[2]	58	156,826	248	156,636
Total	**4,166**	**654,053**	**4,102**	**654,117**

(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 by economic sector

As of September 30, 2026

Below are details of credit risk by economic sector – Continued (NIS in millions):

	Total credit risk[1][7]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[3]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non-accruing	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,171	1,135	5	31	1,171	907	31	19	(5)	5	19
Mining and excavation	7,042	7,023	18	1	6,933	4,916	1	-	16	-	52
Industry and production	15,272	14,087	631	554	15,001	8,834	554	161	(25)	17	320
Of which: Diamonds	1,086	965	3	118	1,086	707	118	56	(6)	6	38
Construction and real estate – construction[6]	86,056	82,220	3,384	452	85,954	43,921	452	271	114	26	433
Construction and real estate – real estate operations	12,642	12,335	133	174	12,275	10,521	170	83	63	4	276
Electricity and water delivery	14,199	14,072	103	24	13,871	9,207	24	1	9	1	174
Commerce	18,911	18,043	346	522	18,703	15,085	522	290	6	95	353
Hotels, dining and food services	2,814	2,686	66	62	2,716	2,240	62	26	4	29	82
Transport and storage	6,242	5,644	511	87	6,215	4,413	87	45	(1)	-	115
Information and communications	2,665	2,581	69	15	2,571	1,831	15	7	1	(1)	28
Financial services	48,157	48,082	69	6	42,424	26,932	6	2	(27)	(11)	19
Of which: Non-bank financial institutions	22,847	22,847	-	-	18,020	9,256	-	-	(10)	-	5
Of which: Capital market actors	7,925	7,925	-	-	7,910	7,675	-	-	-	-	-
Of which: Credit services providers	6,823	6,823	-	-	6,784	5,916	-	-	7	-	8
Of which: Holding companies	942	938	2	2	918	700	2	2	(16)	(10)	3
Other business services	8,391	8,084	148	159	8,376	6,073	159	69	1	15	155
Public and community services	4,198	4,031	97	70	4,190	3,412	70	45	20	11	92
Total commercial	**227,760**	**220,023**	**5,580**	**2,157**	**220,400**	**138,292**	**2,153**	**1,019**	**176**	**191**	**2,118**
Private individuals – residential mortgages	268,372	262,102	3,837	2,433	268,372	258,788	2,433	2,433	(92)	-	1,006
Private individuals – other	37,608	36,971	382	255	37,600	29,731	255	41	58	175	616
Total public – activity in Israel	**533,740**	**519,096**	**9,799**	**4,845**	**526,372**	**426,811**	**4,841**	**3,493**	**142**	**366**	**3,740**
Banks in Israel	1,366	1,366	-	-	799	799	-	-	-	-	-
Government of Israel	36,562	36,562	-	-	-	-	-	-	-	-	-
Total activity in Israel	**571,668**	**557,024**	**9,799**	**4,845**	**527,171**	**427,610**	**4,841**	**3,493**	**142**	**366**	**3,740**
Borrower activity overseas											
Total public – activity overseas	16,618	16,344	-	274	16,409	12,238	260	125	52	44	145
Overseas banks	17,616	17,616	-	-	14,159	14,112	-	-	1	-	5
Overseas governments	1,743	1,742	-	1	292	292	1	1	(4)	(4)	1
Total activity overseas	**35,977**	**35,702**		**275**	**30,860**	**26,642**	**261**	**126**	**49**	**40**	**151**
Total	**607,645**	**592,726**	**9,799**	**5,120**	**558,031**	**454,252**	**5,102**	**3,619**	**191**	**406**	**3,891**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 454,252; bonds – 41,175; securities borrowed or acquired under resale agreements – 21; (on- and off-balance sheet) credit risk with respect to derivatives – -8,418; and credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 103,779.

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

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

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

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

(6) Includes on-balance sheet credit risk amounting to NIS 446 million and off-balance sheet credit risk amounting to NIS 566 million, extended to certain purchase groups which are in the process of construction. For more information on credit exposures secured by international re-insurers, see "Key exposure to foreign countries" below.

(7) The balances as of September 30, 2026 are presented in accordance with the measurement requirements and method prescribed under the new Public Conduct of Banking Business Directive 313, which is implemented as from July 1, 2026. The new directive is implemented prospectively.

Credit risk by economic sector

As of September 30, 2025

Details of credit risk by economic sector – Continued (NIS in millions):

	Total credit risk[1]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[3]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non-accruing	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,210	1,112	65	33	1,210	881	33	20	(5)	-	27
Mining and excavation	5,288	5,286	2	-	5,148	3,966	-	-	-	-	33
Industry and production	15,762	14,567	700	495	15,561	8,673	495	216	(20)	66	396
Of which: Diamonds	1,266	1,007	39	220	1,266	843	220	88	(14)	38	67
Construction and real estate – construction[6]	80,780	77,130	3,290	360	80,662	39,513	360	253	(15)	1	366
Construction and real estate – real estate operations	12,085	11,606	315	164	11,728	10,185	160	80	(25)	1	201
Electricity and water delivery	12,659	12,595	59	5	12,297	7,586	5	2	32	5	156
Commerce	19,116	17,962	598	556	18,972	14,174	556	333	35	23	464
Hotels, dining and food services	2,728	2,464	101	163	2,723	2,137	163	53	2	7	110
Transport and storage	5,343	4,179	1,120	44	5,325	3,109	44	24	29	31	83
Information and communications	2,040	2,007	25	8	1,950	1,154	8	4	-	-	26
Financial services	38,192	38,099	85	8	34,813	19,679	8	3	(5)	(4)	44
Other business services	8,254	7,891	212	151	8,236	5,170	151	76	26	36	176
Public and community services	3,632	3,361	154	117	3,633	2,729	117	103	9	12	77
Total commercial	**207,089**	**198,259**	**6,726**	**2,104**	**202,258**	**118,956**	**2,100**	**1,167**	**63**	**178**	**2,159**
Private individuals – residential mortgages	259,534	253,544	3,413	2,577	259,534	240,124	2,577	2,577	(65)	-	1,148
Private individuals – other	44,121	43,471	372	278	44,114	27,642	278	72	149	124	722
Total public – activity in Israel	**510,744**	**495,274**	**10,511**	**4,959**	**505,906**	**386,722**	**4,955**	**3,816**	**147**	**302**	**4,029**
Banks in Israel	1,987	1,987	-	-	487	487	-	-	-	-	-
Government of Israel	30,371	30,371	-	-	-	-	-	-	-	-	-
Total activity in Israel	**543,102**	**527,632**	**10,511**	**4,959**	**506,393**	**387,209**	**4,955**	**3,816**	**147**	**302**	**4,029**
Borrower activity overseas											
Total public – activity overseas	12,321	11,920	-	401	12,144	9,046	390	232	55	103	134
Overseas banks	26,627	26,627	-	-	23,780	23,706	-	-	1	-	4
Overseas governments	12,369	12,368	-	1	475	351	1	1	-	-	1
Total activity overseas	**51,317**	**50,915**		**402**	**36,399**	**33,103**	**391**	**233**	**56**	**103**	**139**
Total	**594,419**	**578,547**	**10,511**	**5,361**	**542,792**	**420,312**	**5,346**	**4,049**	**203**	**405**	**4,168**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 420,312; bonds – 44,281; securities borrowed or acquired under resale agreements – 637; (on- and off-balance sheet) credit risk with respect to derivatives – -6,709; and credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 122,480.
(2) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements.
(3) Includes with respect to off-balance sheet credit instruments (included on balance sheet under Other Liabilities).
(4) Credit risk whose credit rating as of the report date matches the credit rating for new credit performance, in conformity with Bank policies.
(5) On- and off-balance sheet credit risk, which is non-accruing, inferior or under special supervision.
(6) Includes on-balance sheet credit risk amounting to NIS 820 million and off-balance sheet credit risk amounting to NIS 933 million, extended to certain purchase groups which are in the process of construction. For more information on credit exposures secured by international re-insurers, see "Key exposure to foreign countries" below.

Credit risk by economic sector

As of December 31, 2025

Details of credit risk by economic sector – Continued (NIS in millions):

	Total credit risk[1]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[3]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non-accruing	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,168	1,070	53	45	1,168	854	45	32	(3)	-	29
Mining and excavation	5,167	5,165	-	2	5,035	3,822	2	-	3	-	36
Industry and production	15,167	13,972	759	436	14,980	8,758	436	180	(53)	67	362
Of which: Diamonds	1,208	898	115	195	1,208	796	195	81	(29)	40	50
Construction and real estate – construction[6]	82,021	77,688	3,929	404	81,906	40,155	404	257	(51)	(14)	345
Construction and real estate – real estate operations	14,256	13,831	242	183	13,878	12,126	179	72	(9)	1	217
Electricity and water delivery	13,479	12,916	555	8	13,119	7,745	8	2	42	5	166
Commerce	17,445	16,243	601	601	17,229	13,430	601	374	43	53	442
Hotels, dining and food services	2,579	2,322	98	159	2,575	1,975	159	50	(1)	7	107
Transport and storage	5,295	4,688	517	90	5,279	2,817	90	54	62	31	116
Information and communications	2,060	2,021	27	12	1,988	1,183	12	7	(1)	(1)	26
Financial services	40,130	40,067	56	7	36,566	20,393	7	4	(12)	(2)	35
Other business services	8,561	8,221	195	145	8,547	5,362	145	76	25	42	169
Public and community services	3,700	3,481	125	94	3,688	2,754	94	65	26	23	83
Total commercial	**211,028**	**201,685**	**7,157**	**2,186**	**205,958**	**121,374**	**2,182**	**1,173**	**71**	**212**	**2,133**
Private individuals – residential mortgages	264,579	258,648	3,396	2,535	264,579	245,226	2,535	2,535	(119)	(4)	1,098
Private individuals – other	45,006	44,302	405	299	44,994	28,494	299	76	200	164	733
Total public – activity in Israel	**520,613**	**504,635**	**10,958**	**5,020**	**515,531**	**395,094**	**5,016**	**3,784**	**152**	**372**	**3,964**
Banks in Israel	1,972	1,972	-	-	584	584	-	-	-	-	-
Government of Israel	35,485	35,485	-	-	1	1	-	-	-	-	-
Total activity in Israel	**558,070**	**542,092**	**10,958**	**5,020**	**516,116**	**395,679**	**5,016**	**3,784**	**152**	**372**	**3,964**
Borrower activity overseas											
Total public – activity overseas	13,628	13,272	-	356	13,464	9,261	342	194	75	120	137
Overseas banks	20,053	20,053	-	-	17,364	17,364	-	-	1	-	4
Overseas governments	9,486	9,485	-	1	347	347	1	1	-	-	1
Total activity overseas	**43,167**	**42,810**		**357**	**31,175**	**26,972**	**343**	**195**	**76**	**120**	**142**
Total	**601,237**	**584,902**	**10,958**	**5,377**	**547,291**	**422,651**	**5,359**	**3,979**	**228**	**492**	**4,106**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 422,651; bonds – 46,697; securities borrowed or acquired in conjunction with resale agreements – 593; (on- and off-balance sheet) credit risk with respect to derivatives – 6,656; and credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 124,640.

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

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

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

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

(6) Includes on-balance sheet credit risk amounting to NIS 724 million and off-balance sheet credit risk amounting to NIS 821 million, extended to certain purchase groups which are in the process of construction. For more information on credit exposures secured by international re-insurers, see "Key exposure to foreign countries" below.

Credit risk mitigation methods (CR3)

	As of September 30, 2026								
	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	431,078	58,929	19,172	30,347	8,370	28,582	10,802	-	-
Bonds	19,383	-	-	-	-	-	-	-	-
Total	**450,461**	**58,929**	**19,172**	**30,347**	**8,370**	**28,582**	**10,802**	**-**	**-**
Of which: Non-accruing or in arrears 90 days or longer	3,284	558	280	164	27	393	253	-	-

	As of September 30, 2025								
	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	392,207	55,268	17,070	28,298	7,485	26,970	9,585	-	-
Bonds	30,980	-	-	-	-	-	-	-	-
Total	**423,187**	**55,268**	**17,070**	**28,298**	**7,485**	**26,970**	**9,585**	**-**	**-**
Of which: Non-accruing or in arrears 90 days or longer	3,832	326	49	182	28	144	21	-	-

	As of December 31, 2025								
	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	412,039	57,102	20,626	29,039	7,970	28,062	12,655	-	-
Bonds	28,340	-	-	-	-	-	-	-	-
Total	**440,379**	**57,102**	**20,626**	**29,039**	**7,970**	**28,062**	**12,655**	**-**	**-**
Of which: Non-accruing or in arrears 90 days or longer	3,626	482	57	233	31	249	25	-	-

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, 2026
Sovereigns, central banks thereof and national monetary authority	78,248	6,920	-	-	-	-	67	-	-	85,235
Public sector entities (PSE) other than central Government	230	-	-	1,763	-	-	2	-	-	1,995
Banks (including multilateral development banks)	1	1,239	-	5,625	-	-	11	-	-	6,876
Securities companies	-	-	-	1,340	-	-	-	-	-	1,340
Corporations	286	11,002	-	7,116	-	-	127,722	-	5	146,131
Retail exposures to individuals	-	-	-	-	-	31,764	37	-	-	31,801
Loans to small businesses	-	-	-	-	-	14,513	7	-	-	14,520
Secured by residential property	-	-	66,315	59,602	84,893	33,372	10,719	-	-	254,901
Secured by commercial property	-	-	-	-	-	-	8,065	-	-	8,065
Loans in arrears	-	-	-	-	-	-	1,160	2,262	-	3,422
Other assets	3,206	-	-	-	-	-	5,806	548	-	9,560
Of which: with respect to shares	-	-	-	-	-	-	742	74	-	816
Total	**81,971**	**19,161**	**66,315**	**75,446**	**84,893**	**79,649**	**153,596**	**2,810**	**5**	**563,846**
										As of September 30, 2025
Sovereigns, central banks thereof and national monetary authority	84,181	7,799	-	-	-	-	313	-	-	92,293
Public sector entities (PSE) other than central Government	192	-	-	1,428	-	-	1	-	-	1,621
Banks (including multilateral development banks)	1	1,613	-	4,612	-	-	9	-	-	6,235
Securities companies	-	-	-	1,635	-	-	-	-	-	1,635
Corporations	249	9,766	-	5,761	-	-	113,741	243	107	129,867
Retail exposures to individuals	-	-	-	-	-	29,535	26	-	-	29,561
Loans to small businesses	-	-	-	-	-	13,792	6	-	-	13,798
Secured by residential property	-	-	67,392	56,354	76,262	26,068	9,580	-	-	235,656
Secured by commercial property	-	-	-	-	-	-	6,857	-	-	6,857
Loans in arrears	-	-	-	-	-	-	1,227	2,401	-	3,628
Other assets	2,768	-	-	-	-	-	4,958	446	-	8,172
Of which: with respect to shares	-	-	-	-	-	-	673	74	-	747
Total	**87,391**	**19,178**	**67,392**	**69,790**	**76,262**	**69,395**	**136,717**	**3,090**	**107**	**529,322**
										As of December 31, 2025
Sovereigns, central banks thereof and national monetary authority	97,345	7,548	-	-	-	-	85	137	-	105,115
Public sector entities (PSE) other than central Government	256	-	-	1,937	-	-	1	-	-	2,194
Banks (including multilateral development banks)	1	522	-	5,133	-	-	11	-	-	5,667
Securities companies	-	-	-	2,881	-	-	-	-	-	2,881
Corporations	229	10,568	-	7,207	-	-	112,357	546	100	131,007
Retail exposures to individuals	-	-	-	-	-	29,680	30	-	-	29,710
Loans to small businesses	-	-	-	-	-	13,945	7	-	-	13,952
Secured by residential property	-	-	68,176	58,104	78,775	25,514	9,745	-	-	240,314
Secured by commercial property	-	-	-	-	-	-	7,690	-	-	7,690
Loans in arrears	-	-	-	-	-	-	1,269	2,681	-	3,950
Other assets	3,074	-	-	-	-	-	5,097	442	-	8,613
Of which: with respect to shares	-	-	-	-	-	-	781	74	-	855
Total	**100,905**	**18,638**	**68,176**	**75,262**	**78,775**	**69,139**	**136,292**	**3,806**	**100**	**551,093**

(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, 2026				
	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)	1,313	6,299	1.4	10,658	4,420
Comprehensive approach to credit risk mitigation (for securities financing transactions)				637	619
Total	**1,313**	**6,299**		**11,295**	**5,039**

	As of September 30, 2025				
	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)	1,222	4,680	1.4	8,264	3,356
Comprehensive approach to credit risk mitigation (for securities financing transactions)				283	266
Total	**1,222**	**4,680**		**8,547**	**3,622**

	As of December 31, 2025				
	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)	841	5,121	1.4	8,347	3,454
Comprehensive approach to credit risk mitigation (for securities financing transactions)				448	432
Total	**841**	**5,121**		**8,795**	**3,887**

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

	As of September 30, 2026		As of September 30, 2025		As of December 31, 2025	
	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	10,658	1,665	8,264	1,564	8,347	1,536

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

	As of September 30, 2026				
Supervisory portfolio / risk weighting	**0%**	**20%**	**50%**	**100%**	**Total credit exposure**
Sovereigns	-	6	-	-	6
Public sector entities (PSE) other than central Government	-	-	32	-	32
Banks (including multilateral development banks)	-	4,578	330	-	4,908
Securities companies	-	-	4,760	-	4,760
Corporations	-	-	65	870	935
Supervisory retail portfolios	-	-	-	17	17
Other assets	-	-	-	-	-
Total	-	4,584	5,187	887	10,658

	As of September 30, 2025				
Supervisory portfolio / risk weighting	**0%**	**20%**	**50%**	**100%**	**Total credit exposure**
Sovereigns	-	49	-	-	49
Public sector entities (PSE) other than central Government	-	-	29	-	29
Banks (including multilateral development banks)	-	3,878	228	28	4,133
Securities companies	-	-	3,291	-	3,291
Corporations	-	-	31	711	742
Supervisory retail portfolios	-	-	-	20	20
Other assets	-	-	-	-	-
Total	-	3,927	3,579	758	8,264

	As of December 31, 2025				
Supervisory portfolio / risk weighting	**0%**	**20%**	**50%**	**100%**	**Total credit exposure**
Sovereigns	-	22	-	-	22
Public sector entities (PSE) other than central Government	-	-	20	-	20
Banks (including multilateral development banks)	-	3,661	148	-	3,809
Securities companies	-	-	3,725	-	3,725
Corporations	-	-	38	712	750
Supervisory retail portfolios	-	-	-	20	20
Other assets	-	-	-	-	-
Total	-	3,684	3,931	732	8,347

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

	As of September 30, 2026					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited			
	Disconnected	Not disconnected	Disconnected	Not disconnected	Fair value of collateral received	Fair value of collateral deposited
Cash – local currency	-	1449	0	528	14681	-
Cash – other currency	-	1,741	-	1,369	3	-
Domestic sovereign debt	-	1,206	-	-	29	-
Other sovereign debt	-	34	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	4	-	-	69	-
Shares	-	750	-	-	7,372	-
Other collateral	-	-	-	-	-	-
Total	-	5,183	-	1,897	22,154	-

	As of September 30, 2025					
			Collateral used in derivatives transactions		Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited			
	Disconnected	Not disconnected	Disconnected	Not disconnected	Fair value of collateral received	Fair value of collateral deposited
Cash – local currency	-	2,070	-	173	7,857	-
Cash – other currency	-	1,481	-	2,515	7	-
Domestic sovereign debt	-	466	-	-		-
Other sovereign debt	-	7	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	10	-	-	6	-
Shares	-	684	-	-	5,358	-
Other collateral	-	-	-	-	-	-
Total	-	4,718	-	2,688	13,228	-

(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 is not exposed to commodities and its exposure to equities is immaterial; thus, the Bank's major exposure to market risk is due to basis risk – the risk arising due to Bank assets and liabilities being denominated in different currencies or linked to different linkage bases – and to interest risk.

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

The overall risk level of market and interest risk remained Low-Medium. Interest risk remained medium, and reflects the interest rate environment and the potential impact on borrowers and depositors' behavior, in particular the transfer of funds from current accounts to deposits and changes to mortgage mixes in the direction towards channels which are less sensitive to changes in interest rates. The risk values are within the limits of the Bank's risk appetite.

As of September 30, 2026, no deviations from the Bank's risk appetite limits were recorded.

For more information about market risk, see chapter "Market risk" in the 2025 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, 2026	**September 30, 2025**	**December 31, 2025**
Direct products			
Interest rate risk (general and specific)	2,052	1,995	1,945
Position risk in shares (general and specific)	63	52	59
Foreign currency risk	38	95	101
Commodities risk	-	-	-
Options	-	-	-
Delta Plus approach	128	29	21
Securitization	-	-	-
Total	**2,281**	**2,171**	**2,126**

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, 2026				
			Foreign currency		
	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total
Financial assets[2]	417,436	88,663	41,078	12,208	559,385
Other amounts receivable with respect to financial derivatives, complex and off-balance sheet financial instruments	292,219	2,884	330,145	33,791	659,039
Financial liabilities[2]	(389,331)	(59,002)	(68,279)	(10,639)	(527,251)
Other amounts payable with respect to financial derivatives, complex and off-balance sheet financial instruments	(317,298)	(3,001)	(302,778)	(35,567)	(658,644)
Net fair value of financial instruments	3,026	29,544	166	(207)	32,529
Effect of liabilities with respect to employee rights	(659)	(1,191)	(3)	-	(1,853)
Effect of attribution to terms of non-maturity deposits	4,609	-	429	218	5,256
Adjusted net fair value	6,976	28,353	592	11	35,932
Of which: Banking portfolio	(7,347)	17,333	(280)	2,615	12,321
Of which: Effect of early repayment of residential mortgages	353	(860)	(3)	(25)	(535)
Of which: Effect of attribution of deposits to terms after the next withdrawal date	(569)	(13)	-	-	(582)

	As of December 31, 2025				
Financial assets[2]	383,043	91,424	49,259	11,231	534,957
Other amounts receivable with respect to financial derivatives, complex and off-balance sheet financial instruments	279,760	3,191	282,334	28,255	593,540
Financial liabilities[2]	(360,947)	(66,706)	(66,354)	(10,743)	(504,750)
Other amounts payable with respect to financial derivatives, complex and off-balance sheet financial instruments	(297,530)	(2,703)	(264,999)	(29,043)	(594,275)
Net fair value of financial instruments	4,326	25,206	240	(300)	29,472
Effect of liabilities with respect to employee rights	(711)	(1,238)	(5)	-	(1,954)
Effect of attribution to terms of non-maturity deposits	4,151	-	329	121	4,601
Adjusted net fair value	7,766	23,968	564	(179)	32,119
Of which: Banking portfolio	1,458	12,743	(3,431)	1,437	12,207
Of which: Effect of early repayment of residential mortgages	311	(849)	(3)	(30)	(571)
Of which: Effect of attribution of deposits to terms after the next withdrawal date	(208)	41	-	-	(167)

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, 2026					As of December 31, 2025				
			Foreign currency					Foreign currency		
	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total
Concurrent 1% changes										
Concurrent 1% increase	(998)	(664)	(47)	(2)	(1,711)	(1,309)	(480)	74	(22)	(1,737)
Of which: Banking portfolio	(987)	(684)	(19)	(4)	(1,694)	(1,311)	(471)	89	(22)	(1,715)
Effect of attribution to terms of non-maturity deposits	1,065	-	141	81	1,287	1,001	-	141	52	1,194
Of which: Effect of early repayment of residential mortgages	2,466	1,034	-	2	3,502	2,122	1,008	-	3	3,133
Of which: Effect of attribution of deposits to terms after the next withdrawal date	(221)	(75)	-	-	(296)	(96)	(109)	-	-	(205)
Concurrent 1% decrease	540	538	62	10	1,150	981	356	(62)	30	1,305
Of which: Banking portfolio	521	505	31	12	1,069	977	345	(79)	29	1,272
Effect of attribution to terms of non-maturity deposits	(1,128)	-	(149)	(81)	(1,358)	(1,064)	-	(150)	(56)	(1,270)
Of which: Effect of early repayment of residential mortgages	(3,043)	(1,262)	-	(3)	(4,308)	(2,624)	(1,232)	-	(4)	(3,860)
Of which: Effect of attribution of deposits to terms after the next withdrawal date	229	82	-	-	311	100	119	-	-	219
Additional interest-rate scenarios in accordance with Proper Conduct of Banking Business Directives[3]										
Concurrent increase	(2,196)	(1,137)	(88)	(29)	(3,450)	(2,808)	(842)	165	(41)	(3,526)
Of which: Banking portfolio	(2,183)	(1,134)	(37)	(29)	(3,383)	(2,826)	(831)	190	(41)	(3,508)
Concurrent decrease	1,977	1,090	150	44	3,261	2,963	1,038	(101)	70	3,970
Of which: Banking portfolio	1,907	1,086	92	46	3,131	2,947	1,027	(138)	68	3,904
Steepening[4]	(1,770)	(48)	(156)	(3)	(1,977)	(1,627)	(188)	(338)	(13)	(2,166)
Of which: Banking portfolio	(1,676)	(42)	(164)	(8)	(1,890)	(1,569)	(188)	(325)	(13)	(2,095)
Flattening[5]	1,022	(294)	143	(3)	868	847	(30)	321	10	1,148
Of which: Banking portfolio	921	(299)	161	4	787	793	(29)	312	10	1,086
Short-term interest increase	303	(447)	79	(9)	(74)	(328)	(183)	178	5	(328)
Of which: Banking portfolio	224	(446)	119	(4)	(107)	(359)	(177)	181	4	(351)
Short-term interest decrease	(407)	481	(84)	13	3	286	285	(182)	(4)	385
Of which: Banking portfolio	(327)	480	(124)	8	37	317	280	(186)	(4)	407
Maximum	(2,196)	(1,137)	(156)	(29)	(3,450)	2,963	1,038	(338)	70	3,970
Of which: Banking portfolio	(2,183)	(1,134)	(164)	(29)	(3,383)	2,947	1,027	(325)	68	3,904

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

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

(3) Interest scenarios were set in accordance with Proper Conduct of Banking Business Directive No. 333, “Management of Interest Rate Risk”.

(4) Short-term interest decrease and long-term interest increase.

(5) 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 arises from timing differences only.

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

See Note 16 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 the effect of scenarios of changes in the interest rate on net interest revenues and non-interest financing revenues[1][4] (NIS in millions):

	As of September 30, 2026			As of December 31, 2025		
	Interest revenues	Non-interest financing revenues[3]	Total	Interest revenues	Non-interest financing revenues[3]	Total
Concurrent 1% changes[2]						
Concurrent 1% increase	77	120	197	(57)	263	206
Of which: Banking portfolio	68	124	192	(64)	284	220
Concurrent 1% decrease	(412)	(5)	(417)	(238)	(176)	(414)
Of which: Banking portfolio	(403)	23	(380)	(231)	(114)	(345)
Additional interest-rate scenarios in accordance with Proper Conduct of Banking Business Directives[5]						
Concurrent increase	147	278	425	(360)	565	205
Of which: Banking portfolio	126	328	454	(378)	598	220
Concurrent decrease	(912)	90	(822)	(568)	(286)	(854)
Of which: Banking portfolio	(891)	45	(846)	(550)	(271)	(821)
Maximum	(912)	278	(822)	(568)	565	(854)
Of which: Banking portfolio	(891)	328	(846)	(550)	598	(821)

(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.

Impact of scenarios simulating changes in interest rates on shareholders' equity attributed to Bank shareholders:

	As of September 30, 2026	As of September 30, 2025	As of December 31, 2025
	NIS in millions		
Concurrent 1% increase	(101)	(29)	(41)
Concurrent 1% decrease	75	(2)	13

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 and non-interest revenues, the risk-free interest rate is capped in accordance with Proper Conduct of Banking Business Directive 333.
- The interest rate increase/decrease scenario includes an assumption that funds are diverted from current accounts to deposits and/or from short-term deposits to current accounts.

For further details of assumptions used in calculation of the fair value of financial instruments, see Note 16 to the financial statements for the third quarter of 2026 and Note 33 to the financial statements as of December 31, 2025.

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, 2026				
	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
Financial assets[1]	265,646	25,924	85,224	100,816	35,128
Other amounts receivable[2]	205,188	153,157	161,297	66,757	48,084
Financial liabilities[1]	226,335	50,044	116,481	64,683	40,858
Liabilities with respect to employees' rights	5	6	30	237	204
Other amounts payable[2]	204,958	153,542	161,206	66,650	48,037
Exposure to interest rate fluctuations	39,536	(24,511)	(31,196)	36,003	(5,887)
Additional details on exposure to changes in interest rates					
A. By nature of activity:					
Exposure in bank portfolio	38,111	(25,289)	(51,601)	35,770	(6,159)
Exposure in trading portfolio	1,425	778	20,405	233	272
B. By linkage basis:					
Israeli currency – non-linked	39,128	(13,640)	(48,999)	24,285	(7,137)
Israeli currency – linked to the CPI	(10,067)	1,248	21,048	8,652	1,963
Foreign currency [4]	10,475	(12,119)	(3,245)	3,066	(713)
C. Effect on exposure to interest rate fluctuations					
Financial assets[1], before assumptions	264,370	23,543	78,510	93,333	29,476
Effect of early repayment of residential mortgages[6]	1,276	2,381	6,714	7,483	5,652
Financial assets[1]	265,646	25,924	85,224	100,816	35,128
Financial liabilities[1], before assumptions	269,651	44,892	102,143	64,709	35,306
Effect of attribution to terms of non-maturity deposits[6]	(44,719)	1,851	5,291	9,871	8,102
Effect of attribution of deposits to terms after the next withdrawal date[6][7]	1,403	3,301	9,047	(9,897)	(2,550)
Financial liabilities[1]	226,335	50,044	116,481	64,683	40,858

(1) Excludes balance sheet balances of financial derivatives, fair value of off-balance sheet financial instruments and fair value of complex financial instruments.
(2) Amounts receivable and payable with respect to compound and off-balance sheet derivative financial instruments.
(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.
(6) The effect of the behavioral assumptions on average duration and internal rate of return is calculated by comparing the difference between the average duration and internal rate of return after the effect of the assumptions and the average duration and internal rate of return without those effects.
(7) The fair value of total deposits after the next withdrawal date, including the effect of early withdrawal assumptions, amounts to NIS 84,517 million.

General remarks:

- In this table, data by term represents the present value of the future cash flows of each financial instrument, discounted using the interest rate which discounts them to the fair value in accordance with assumptions according to which the fair value of the financial instrument was calculated. See Note 33 to the Financial Statements as of December 31, 2025.
- 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 16 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.

							As of December 31, 2025		
Over 5 years to 10 years	Over 10 years to 20 years	Over 20 years	Without maturity	Total fair value	Internal rate of return	Average effective duration[3]	Total fair value	Internal rate of return	Average effective duration[3]
					In %	in years		In %	in years
32,519	11,806	1,585	737	559,385	4.33	1.41	534,957	4.58	1.41
19,696	4,399	461	-	659,039		0.67	593,540		0.61
22,682	917	(9)	4	521,995	3.33	0.98	500,149	2.74	0.94
442	593	336	-	1,853		11.13	1,954		11.52
19,517	4,286	448	-	658,644		0.82	594,275		0.80
9,574	10,409	1,271	733	35,932			32,119		
9,300	10,315	1,141	733	12,321		0.13	12,207		0.13
274	94	130	-	23,611		0.93	19,912		1.46
5,268	6,676	672	723	6,976		[5]0.11	7,766		[5]0.18
2,461	2,866	182	-	28,353		[5]1.17	23,968		[5]0.87
1,845	867	417	10	603		[5](0.03)	385		[5](0.10)
33,115	28,453	8,383	737	559,920	4.35	2.08	535,528	4.55	2.05
(596)	(16,647)	(6,798)	-	(535)	(0.07)	(1.41)	(571)	0.02	(1.36)
32,519	11,806	1,585	737	559,385	4.33	1.41	534,957	4.58	1.41
9,285	688	(9)	4	526,669	3.30	1.04	504,583	2.73	0.98
13,946	402	-	-	(5,256)	3.06	1.39	(4,601)	3.03	1.25
(549)	(173)	-	-	582	0.05	(0.17)	167	0.04	(0.15)
22,682	917	(9)	4	521,995	3.33	0.98	500,149	2.74	0.94

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.

Liquidity risk remained low-medium.

As of January 2025, the alert level is "yellow," a decrease from the "orange" alert declared in October 2023.

In March 2026, due to Operation Lion's Roar the level of alert was maintained, while tightening the close monitoring of the markets and the various indicators.

Due to uncertainty levels the Bank maintains its level of readiness, and closely monitors the markets and various indicators.

For more information about liquidity risk, see chapter "Liquidity risk" in the 2025 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, 2026	
	Total unweighted value[(2)] (Average)	**Total weighted value[(3)] (Average)**
Total high quality liquid assets		
Total high quality liquid assets (HQLA)		**97,941**
Outgoing cash flows		
Retail deposits from individuals and from small businesses, of which:	185,093	10,896
Stable deposits	44,849	2,242
Less stable deposits	56,584	6,144
Deposits for term longer than 30 days	83,661	2,510
Non-secured wholesale financing, of which:	102,051	70,747
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	4,031	1,008
Deposits other than for operational needs (all counter parties)	97,462	69,181
Non-secured debts	558	558
Secured wholesale financing	-	115
Other liquidity requirements, of which:	222,271	72,998
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	62,770	62,770
Credit lines and liquidity	96,520	8,269
Other contingent financing obligations	62,981	1,959
Total outgoing cash flows	**509,414**	**154,756**
Incoming cash flows		
Secured loans	14,135	118
Incoming cash flows from exposures repaid regularly	24,241	16,689
Other incoming cash flows	64,724	61,045
Total incoming cash flows	**103,099**	**77,852**
		Total adjusted value[(4)]
Total high quality liquid assets (HQLA)		**97,941**
Total outgoing cash flows, net		**76,904**
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 2026 is 75.
(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, 2025	
	Total unweighted value[2] (Average)	**Total weighted value[3] (Average)**
Total high quality liquid assets		
Total high quality liquid assets (HQLA)		**93,839**
Outgoing cash flows		
Retail deposits from individuals and from small businesses, of which:	185,084	11,138
Stable deposits	44,808	2,240
Less stable deposits	59,562	6,476
Deposits for term longer than 30 days	80,713	2,421
Non-secured wholesale financing, of which:	95,434	66,109
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	3,126	781
Deposits other than for operational needs (all counter parties)	92,147	65,167
Non-secured debts	161	161
Secured wholesale financing	-	131
Other liquidity requirements, of which:	187,994	72,396
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	63,402	63,402
Credit lines and liquidity	76,420	7,143
Other contingent financing obligations	48,172	1,851
Total outgoing cash flows	**468,512**	**149,773**
Incoming cash flows		
Secured loans	5,154	144
Incoming cash flows from exposures repaid regularly	23,015	16,900
Other incoming cash flows	64,127	61,363
Total incoming cash flows	**92,296**	**78,408**
		Total adjusted value[4]
Total high quality liquid assets (HQLA)		**93,839**
Total outgoing cash flows, net		**71,365**
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 third quarter of 2025 is 76.

(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, 2025	
	Total unweighted value[2] (Average)	**Total weighted value[3] (Average)**
Total high quality liquid assets		
Total high quality liquid assets (HQLA)		**95,546**
Outgoing cash flows		
Retail deposits from individuals and from small businesses, of which:	183,544	10,984
Stable deposits	44,076	2,204
Less stable deposits	58,599	6,355
Deposits for term longer than 30 days	80,869	2,426
Non-secured wholesale financing, of which:	97,946	68,074
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	3,931	983
Deposits other than for operational needs (all counter parties)	93,633	66,710
Non-secured debts	381	381
Secured wholesale financing	-	118
Other liquidity requirements, of which:	202,394	79,294
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	69,704	69,704
Credit lines and liquidity	81,701	7,820
Other contingent financing obligations	50,988	1,769
Total outgoing cash flows	**483,884**	**158,470**
Incoming cash flows		
Secured loans	6,801	130
Incoming cash flows from exposures repaid regularly	23,235	16,611
Other incoming cash flows	70,899	67,724
Total incoming cash flows	**100,935**	**84,465**
		Total adjusted value[4]
Total high quality liquid assets (HQLA)		**95,546**
Total outgoing cash flows, net		**74,005**
Liquidity coverage ratio (%)		**129**

(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 2025 is 75.

(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 / 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
	2026	2025	2026	2025
Level 1 assets	93,423	89,273	97,831	93,757
Level 2a assets	74	64	75	52
Level 2b assets	36	36	35	30
Total HQLA	**93,533**	**89,373**	**97,941**	**93,839**

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, 2026		
	Total balance on balance sheet	Of which: Pledged	Of which: Non-pledged
Cash and deposits with central banks	61,922	3,279	58,643
Bonds of the Government of Israel	36,541	347	36,194
Bonds of others in Israel	2,977	-	2,977
Bonds of overseas governments	1,451	1,069	382
Bonds of others overseas	206	-	206
Loans to the public, net	436,434	-	436,434
Total	539,531	4,695	534,836

	As of September 30, 2025		
	Total balance on balance sheet	Of which: Pledged	Of which: Non-pledged
Cash and deposits with central banks	65,603	4,338	61,265
Bonds of the Government of Israel	29,734	343	29,391
Bonds of others in Israel	2,442	-	2,442
Bonds of overseas governments	11,894	808	11,086
Bonds of others overseas	234	-	234
Loans to the public, net	395,768	-	395,768
Total	505,675	5,489	500,186

	As of December 31, 2025		
	Total balance on balance sheet	Of which: Pledged	Of which: Non-pledged
Cash and deposits with central banks	81,146	4,339	76,807
Bonds of the Government of Israel	34,891	344	34,547
Bonds of others in Israel	2,432	-	2,432
Bonds of overseas governments	9,139	925	8,214
Bonds of others overseas	235	-	235
Loans to the public, net	400,331	-	400,331
Total	528,174	5,608	522,566

Developments in liquidity coverage ratio

During the third quarter of 2026, the Bank maintained adequate liquidity by investing excess liquidity in high-quality liquid assets – Level 1 assets. The average liquidity coverage ratio (consolidated) for the third quarter of 2026 stood at 127%.

Net stable funding ratio

On June 21, 2021, the Supervisor of Banks issued Proper Conduct of Banking Business Directive 222 regarding "Net stable funding ratio (NSFR)", which stipulates calculation of the ratio as specified in the Basel III Reform of the Basel Committee (BCBS). The directive came into effect on December 31, 2021.

In conformity with this directive, the objective of the net stable funding ratio is to improve stability of the liquidity risk profile of banking corporations over the long term, by requiring banking corporations to maintain a stable funding profile in conformity with the composition of on-balance sheet assets and off-balance sheet operations. The 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, the net stable funding ratio should be 100% or higher on regular basis.

In conformity with the directive, "Available stable funding" is defined as the part of capital and liabilities that may be relied upon over the time horizon taken into account in the net stable funding ratio, of one year. The required stable funding amount for a given corporation is based on the liquidity attributes and time to maturity of various assets held by the corporation, as well as of off-balance sheet exposures.

Below is information about the net stable funding ratio[1] (NIS in millions) as of September 30, 2026:

	A	B	E	D	S
	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:	35,391	55	20	12,378	47,780
Supervisory capital	35,391			1,778	37,170
Other capital instruments		55	20	10,600	10,610
Retail deposits from individuals and from small businesses		148,274	17,568	4,218	156,028
Stable deposits		48,728	2,321	908	49,405
Less stable deposits		99,546	15,246	3,310	106,623
Wholesale financing		215,336	56,637	68,876	141,567
Deposits for operational needs		3,675			1,838
Other wholesale financing		211,661	56,637	68,876	139,729
Liabilities with matching assets which are inter-dependent					
Other liabilities:	300	1,726	2,262	12,289	13,420
Liabilities with respect to derivative instruments for net stable funding ratio				6,802	
All other liabilities and capital not included in the above categories	300	1,726	2,262	12,289	13,420
Total available stable funding items (ASF)					358,795
Required stable funding items (RSF)					
Total high-quality liquid assets by net stable funding ratio (HQLA)					1,729
Deposits held at other financial institutions for operational purposes					
Loans and securities in good standing:		69,257	48,615	304,332	302,983
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		5,924	10,378	6,589	12,667
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		49,186	24,972	63,544	90,445
Of which: With risk weighting of 35% or lower, pursuant to Proper Conduct of Banking Business Directive 203				2	1
Residential mortgages secured by mortgage in good standing, of which:		14,138	13,261	233,678	199,422
Of which: With risk weighting of 35% or lower, pursuant to Proper Conduct of Banking Business Directive 203		4,276	4,236	64,519	46,193
Securities not in default which do not qualify as high-quality liquid assets, including shares traded on the stock exchange		9	4	520	448
Assets with corresponding liabilities which are inter-dependent					
Other assets:	4,310	2,350	2,966	2,138	13,834
Physically traded commodities, including gold					
Assets deposited as primary collateral for derivative contracts and provided to default funds of central counter parties (CCPs)				2,037	2,037
Assets with respect to derivative instruments for net stable funding ratio				7,197	20
Liabilities with respect to derivative instruments for net stable funding ratio, before deduction of variable collateral deposited				13	13
All other asset categories not included in the above categories	4,310	2,350	2,966	2,138	11,764
Off-balance sheet items				163,577	7,313
Total required stable funding (RSF)					325,859
Net stable funding ratio (%)					110

(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 a consolidated basis) as of September 30, 2026 stood at 110%, which is similar to the ratio as of June 30, 2026.

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.

Other risks

Model risk

Model risk may arise from making decisions or taking actions based on an erroneous model outcome or from an incorrect use of model outcomes. The materialization of the risk might lead to financial losses, incorrect strategic results or damage to the Bank's reputation.

The model risk is assessed as low-medium; it is based on the model risk map maintained by the Bank. It is noted that most of the Bank's models are decision support models, and that the risk is closely managed by the Bank under an orderly corporate governance framework and work processes. On August 21, 2024, the Supervisor of Banks issued Proper Conduct of Banking Business Directive No. 369 regarding model risk management, which regulates the key aspects of an effective management of model risks. The directive came into effect in August 2025 with transitional provisions regarding the existing models. The Bank is applying the directive in accordance with the prescribed timelines.

The Bank commenced the implementation of AI and GenAI-based models, which give rise to unique model risks, and accordingly, the Bank has in place adequate monitoring processes and control mechanisms in order to ensure that the risk is properly mitigated.

Legal risk

Legal risk remained Low-medium. In the current quarter there were no extraordinary events which may affect the Bank's 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 components of the legal risk, its boundaries (stemming, for example, from the counterparty's identity, the manner in which collateral is created, etc.) and its specific characteristics, while assessing the level of risk and exposure thereto having regard to the Bank's various lines of business, and accordingly provides ongoing legal advice to the Bank and its various units.

Reputational risk

The Bank's reputational risk remained Low. The Bank regularly monitors various benchmarks and indicators with regard to its reputation, indicating that the Bank has maintained a distinct reputational image among its customers.

Glossary of terms included in the risk management 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 assessing capital adequacy and risk management, published by the Basel Committee on Banking Supervision.
C	**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.
	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).
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, among other things, setting capital targets, capital planning processes and assessment of the status of capital under a range of stress scenarios. This process constitutes a 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 regulatory capital ratios which the Bank is required to maintain, pursuant to the provisions of 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, as defined above. The Supevisor of Banks shall conduct a process to assess the bank's capital adequacy assessment process, and its ability to monitor and comply with regulatory capital ratios. The bank is expected to operate above the minimum capital ratios which were set out.
	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	**Regulatory capital (total capital)** – Regulatory capital is composed 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".
	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.

Banking and finance terms

B	**Bonds** – Securities which are an issuer's undertaking to pay to bond holders the issued principal and interest on set dates or upon fulfillment of certain conditions.
D	**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.
E	**Exposure** - on- and off-balance sheet credit, as defined in Proper Conduct of Banking Business Directive 313.
N	**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.
R	**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.

Terms with regard to regulatory directives

L	**LCR – Liquidity Coverage Ratio** – Defined as the ratio of High Quality Liquid Assets and net cash outflow for the next 30 days, under a stress scenario. This ratio is a measure of the Bank's ability to meet its liquidity needs for the forthcoming month.

מזרחי טפחות
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