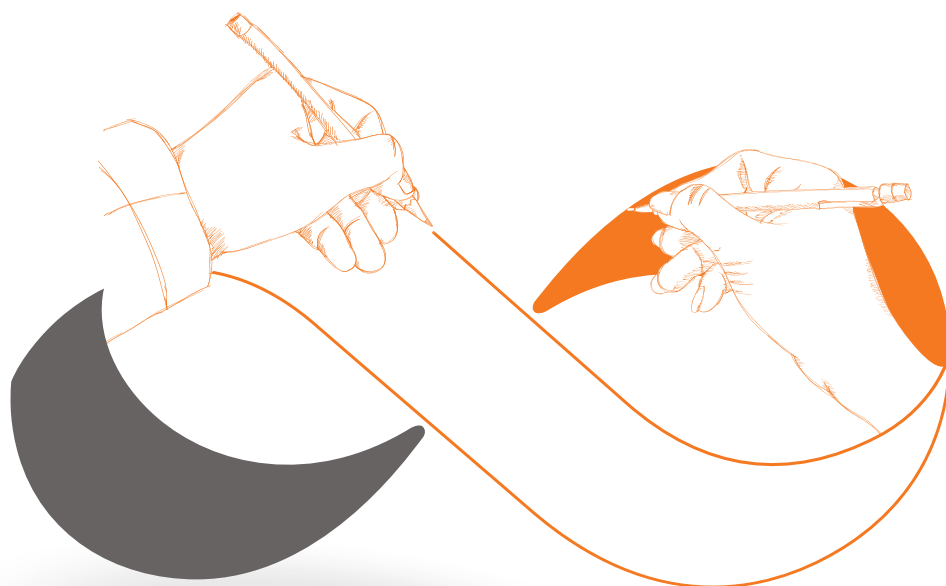


**CONDENSED CONSOLIDATED
FINANCIAL REPORTS**
AS OF 30.06.2025

2



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The Israel Securities Authority's MAGNA website also includes the following reports: The condensed financial statements, as well as in XBRL format, a detailed risk management report and additional supervisory information regarding supervisory capital instruments issued by the Bank. In conformity with the Supervisor of Banks' directives, these reports are also available on the Bank website at www.mizrahi-tefahot.co.il/en ► financial reports. In accordance with the Equal Rights for Persons with Disabilities (Service Accessibility Adjustments) Regulations, 2013, the website also includes accessible reports.

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Bank Mizrahi Tefahot

Report of the Board of Directors and Management

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Condensed Report of the Board of Directors and Management To the financial statements as of June 30, 2025

Introduction

The Iron Swords War, which commenced after the October 7, 2023 surprise attack is still ongoing, and even at this stage, a great deal of uncertainty still remains regarding its end date and its full impact on the economic activity in Israel. The State of Israel continues the fighting in Gaza and other fronts. In the second quarter of the year, the IDF launched Operation Gideon's Chariots in the Gaza Strip, and in June the State of Israel launched Operation Rising Lion which lasted 12 days, and which was designed to thwart the Iranian nuclear program.

Mizrahi Tefahot Group bows in respect to the families of those murdered and of IDF fallen soldiers in the war, praying for the return home of all those kidnapped, and sending wishes of speedy recovery to all wounded civilians and soldiers. Since the start of the war, the Bank has been part of the national endeavor: in direct support for impacted populations, primarily in the Gaza border area and near the Northern border – including through adoption of Sderot and Kfar Aza, and by taking initiative on banking relief, designed to support and to help Bank customers, who were directly or indirectly affected by these events, so as to allow them to overcome the challenging period.

For more information regarding steps taken by the Bank, and the implications of these events on the financial statements and on risk management, see below chapters "Significant developments in management of business operations", "General environment and impact of external factors on the Bank Group", "Material developments in revenues, expenses and other comprehensive income" and "Risks overview".

In a meeting held on August 13, 2025, the Board of Directors of Mizrahi Tefahot Bank Ltd. resolved to approve and publish the Report of the Board of Directors and Management, the Risks Report and other supervisory disclosures and the condensed consolidated financial statements of Mizrahi Tefahot Bank Ltd. and its subsidiaries as of June 30, 2025.

The Condensed Financial Statements as of June 30, 2025 have been prepared in accordance with the directives and guidelines of the Supervisor of Banks. These directives largely adopt the accounting rules accepted at banks in the United States (US GAAP). See also Note 1 to the financial statements as of December 31, 2024 and Note 1 to these Condensed Financial Statements.

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

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

This additional information of which:

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

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

Forward-looking information

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

Actual Bank results may materially differ from those included in the forward-looking information, due to many factors including, inter alia, 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

Report of the Board of Directors and Management

As of June 30, 2025

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.

Overview, objectives and strategy

This chapter describes major developments in the Bank and its operating segments in the first half of 2025, in performance, risk to which the Bank is exposed as well as targets and strategy. This chapter should be read, as needed, in conjunction with the chapter "Overview, targets and strategy" in the 2024 audited annual financial statements.

Condensed financial information and key performance indicators for the Bank Group

	2025		2024			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
	NIS in millions					
Statement of profit and loss – key items						
Interest revenues, net	3,093	2,799	2,753	3,156	3,220	2,685
Non-interest financing revenues	43	142	143	60	26	345
Commissions and other revenues	655	605	595	581	589	568
Total revenues	3,791	3,546	3,491	3,797	3,835	3,598
Expenses due to credit losses	56	103	105	130	109	175
Operating and other expenses	1,323	1,339	1,326	1,289	1,328	1,279
Of which: Payroll and associated expenses	857	877	860	847	868	856
Pre-tax profit	2,412	2,104	2,060	2,378	2,398	2,144
Provision for taxes on profit	910	764	700	898	893	835
Net profit⁽¹⁾	1,453	1,290	1,306	1,425	1,452	1,272

	First half		All of
	2025	2024	2024
	NIS in millions		
Statement of profit and loss – key items			
Interest revenues, net	5,892	5,905	11,814
Non-interest financing revenues	185	371	574
Commissions and other revenues	1,260	1,157	2,333
Total revenues	7,337	7,433	14,721
Expenses due to credit losses	159	284	519
Operating and other expenses	2,662	2,607	5,222
Of which: Payroll and associated expenses	1,734	1,724	3,431
Pre-tax profit	4,516	4,542	8,980
Provision for taxes on profit	1,674	1,728	3,326
Net profit⁽¹⁾	2,743	2,724	5,455

In the first half of 2025, the Group's net profit amounted to NIS 2,743 million, compared to NIS 2,724 million in the corresponding period last year. This profit reflects a 17.0% annualized return on equity, compared to a return on equity of 19.0% in the corresponding period last year.

In the second quarter of 2025, the Group's net profit amounted to NIS 1,453 million, compared to NIS 1,452 million in the corresponding quarter last year. This profit reflects a 17.8% annualized return on equity, compared to 19.9% in the corresponding period last year, and 18.5% in 2024.

The following major factors affected Group operating profit in the first half of 2025 over the corresponding period last year:

- In the first half of 2025, financing revenues decreased by 3.2%, compared to the corresponding period last year, mainly as a result of the effect of the Consumer Price Index, which increased by 1.6% in the first half of 2025, compared to an increase of 1.9% in the corresponding period last year, and in respect of the effect of accounting for derivatives at fair value. The financing revenues were also affected by benefits and reliefs granted to customers under the various outlines. It should be noted that financing revenue from operating activities as presented above increased by 1.7% in the first half of 2025.
- Expenses with respect to credit losses in the first half of 2025 amounted to NIS 159 million, compared to NIS 284 million in the corresponding period last year. The decrease in expenses with respect to credit losses compared to the corresponding period last year arises from a decrease in individual provisions and from a decrease in the collective provision in respect of the war in the current half; however, in view of the level of uncertainty in the economy, which remained high, the amount of the balance-sheet balance of the provision for credit losses remained high.

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

Report of the Board of Directors and Management

As of June 30, 2025

	As of					
	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
	NIS in millions					
Balance sheet – key items						
Total assets	517,287	498,029	485,643	472,379	461,684	450,683
Loans to the public, net	376,672	364,384	357,981	348,314	337,698	330,487
Cash and deposits with banks	78,885	87,194	82,644	79,342	85,912	84,653
Securities	39,704	29,412	28,491	30,829	25,370	23,466
Buildings and equipment	1,906	1,879	1,852	1,705	1,612	1,575
Deposits from the public	417,394	399,275	393,383	385,119	373,579	365,371
Bonds and subordinated notes	36,332	41,890	36,916	36,408	39,578	35,776
Deposits from banks	2,497	1,902	2,599	1,816	2,433	3,603
Shareholders' equity ⁽¹⁾	33,114	32,094	31,292	30,408	29,464	28,578

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

- Total assets as of June 30, 2025 amounted to NIS 517.3 billion - a NIS 55.6 billion increase (12.0%) - compared to June 30, 2024.
- Loans to the public, net as of June 30, 2025 amounted to NIS 376.7 billion, a NIS 39.0 billion increase (11.5%) compared to June 30, 2024.
- Deposits from the public as of June 30, 2025 amounted to NIS 417.4 billion, a NIS 43.8 billion increase (11.7%) compared to June 30, 2024.
- Shareholders' equity as of June 30, 2025 amounted to NIS 33.1 billion, a NIS 3.7 billion increase (12.4%) compared to June 30, 2024. See below also the chapter "Capital adequacy".

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

Report of the Board of Directors and Management

As of June 30, 2025

Key financial ratios (in percent)

	2025	2024				
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Key performance benchmarks						
Net profit return on equity ⁽¹⁾⁽²⁾	17.8	16.2	16.9	19.0	19.9	18.1
Net profit return on risk assets ⁽¹⁾⁽²⁾⁽³⁾	1.81	1.66	1.71	1.93	2.05	1.84
Return on average assets ⁽²⁾	1.14	1.05	1.09	1.22	1.27	1.13
Deposits from the public to loans to the public, net	110.8	109.6	109.9	110.6	110.6	110.6
Ratio of Tier I equity to risk components	10.41	10.37	10.40	10.43	10.44	10.60
Leverage ratio ⁽⁴⁾	6.03	6.03	6.04	6.01	5.99	5.99
Liquidity coverage ratio (Quarterly) ⁽⁵⁾	135	139	135	127	131	139
Net stable funding ratio ⁽⁶⁾	112	113	113	113	113	114
Ratio of revenues to average assets ⁽²⁾	2.99	2.88	2.92	3.25	3.36	3.20
Cost-income ratio – operating expenses to total revenues ⁽⁷⁾ (Cost Income Ratio)	34.9	37.8	38.0	33.9	34.6	35.5
Basic net earnings per share (in NIS)	5.60	4.98	5.05	5.52	5.62	4.93
Key credit quality benchmarks						
Ratio of balance of provision for credit losses to total loans to the public	1.06	1.11	1.14	1.17	1.20	1.22
Ratio of non-accruing debts or debts in arrears 90 days or longer to loans to the public	1.07	1.12	1.21	1.24	1.14	1.11
Expenses with respect to credit losses to loans to the public, net for the period ⁽²⁾	0.06	0.11	0.12	0.15	0.13	0.21
Net accounting write-offs as percentage of average loans to the public ⁽²⁾	0.13	0.15	0.17	0.10	0.08	0.16
Other information						
Share price (in NIS) at end of quarter	219.5	166.5	157.6	145.5	130.8	140.0
Dividends per share (in Agorot) ⁽⁸⁾	199	202	221	225	197	81
Ratio of net interest revenues to average assets ⁽²⁾	2.44	2.28	2.30	2.70	2.82	2.39
Ratio of commissions to average assets ⁽²⁾	0.46	0.43	0.44	0.44	0.45	0.45

	First half	All of	
	2025	2024	2024
Key performance benchmarks			
Net profit return on equity ⁽¹⁾⁽²⁾	17.0	19.0	18.5
Net profit return on risk assets ⁽¹⁾⁽²⁾⁽³⁾	1.74	1.94	1.71
Return on average assets ⁽²⁾	1.10	1.20	1.18
Ratio of revenues to average assets ⁽²⁾	2.93	3.28	3.17
Cost-income ratio – operating expenses to total revenues ⁽⁷⁾ (Cost Income Ratio)	36.3	35.1	35.5
Basic net earnings per share (in NIS)	10.58	10.55	21.12
Key credit quality benchmarks			
Expenses with respect to credit losses to loans to the public, net for the period ⁽²⁾	0.08	0.17	0.14
Net accounting write-offs as percentage of average loans to the public ⁽²⁾	0.13	0.12	0.13
Other information			
Dividends per share (in Agorot) ⁽⁸⁾	401	278	724
Ratio of net interest revenues to average assets ⁽²⁾	2.36	2.60	2.55
Ratio of commissions to average assets ⁽²⁾	0.45	0.45	0.44

Financial ratios indicate as follows:

- Net profit return on equity in the first half of the year was 17.0%.
- The ratio of Tier I capital to risk components increased to 10.43%. The minimum ratio required of the Bank is 9.60%.

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

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

(2) Annualized.

(3) Net profit to total average risk assets.

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

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

(6) 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.

(7) Total operating and other expenses to total operating and financing revenues and expenses with respect to credit losses.

(8) The dividend per share is calculated based on the amount of the dividend actually distributed in the reporting period.

Key risks

As part of the Bank's risk mapping process, the list of major risks was specified as follows:

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⁽¹⁾ 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.⁽²⁾

The Bank regularly reviews the risks mapping to ensure that it encompasses all business operations at the Bank, market conditions and regulatory requirements.

Information about developments of risks, including effects of the war, is presented in the chapter "Risks overview" below and in the Risks Report on the Bank website.

For more information see chapter "Key risks" of the 2024 Report by the Board of Directors and Management.

For more information about updates on estimated potential impact of various risk factors on the Bank Group, see chapter "Risks overview" below.

Business goals and strategy

Strategic plan

On June 4, 2025 the Bank's Board of Directors approved a new three-year strategic plan for 2025-2027 (hereinafter - the "Plan Period"), which is based on the following objectives:

- Establishing the Bank Group's position as a leading bank among households by making efforts in the following areas: Maintaining the Bank's leadership in the mortgage market while introducing product and process innovation and leveraging the Bank's prominent position in this market to increase synergies with commercial operations; expanding operations among target populations, including through credit products and dedicated deposits.
- Positioning the Bank as a key player in business banking by leading large and complex transactions; leading transactions for the financing of national infrastructure projects, expanding the Bank's existing business activity and its activity in other business sectors in Israel.
- Providing personal banking services by human representatives, who are supported by advanced digital technology, based on a multi-channel approach that maintains continuous service availability while optimally combining various digital channels and personal banking services provided by humans in accordance with the customer's choices and needs.
- Timely adaptation of the operation model to the challenges of the future and maintaining operational efficiency (the ratio between operating expenses and total revenues) by making efforts in the following areas: Relocating and concentrating the Bank's HQ on a central campus in Lod; optimizing the deployment of the branches and the utilization of real estate assets used by the branches; further automation of operational processes and removing responsibility thereto from the branches.

The strategic plan is designed to achieve the following objectives:

- To achieve in 2025-2027 a return on net profit attributable to shareholders to average shareholders' equity of 17% to 18% on average.
- To achieve growth in banking operations in order to increase the Bank's market shares in the credit sector from 21.5% at the end of 2024 to 23% to 24% by the end of the Plan Period.
- To achieve growth in banking operations in order to increase the Bank's market shares in the credit sector in Israel from 11.7% at the end of 2024 to 15% to 16% by the end of the Plan Period.
- To achieve growth in banking operations in order to increase the Bank's market shares in deposits from 18.4% at the end of 2024 to 20% to 21% by the end of the Plan Period.
- Maintaining high level of operational efficiency, such that the average operational efficiency ratio in 2025-2027 will not exceed 35%.

In accordance with the Board of Directors' resolution, the Bank's current dividend policy shall remain unchanged as described below: A. To distribute - with respect to quarterly earnings - a dividend of up to 40% of net profit attributable to the Bank's shareholders; B. the Bank's said dividend policy is subject to the Bank's compliance with a Tier I capital to risk components ratio as required by the directives of the Supervisor of Banks, and to maintaining an appropriate safety buffer.

¹ As from the first quarter, model risk assessment is presented separately, having previously been presented as part of the operational risk.

² As from the first quarter of 2025, the Bank presents the business and geopolitical environment risk, which reflects exogenous risks arising from the business environment in which the Bank operates. The risk replaces the regulatory business risk, which was previously presented separately, and also includes the effects of macroeconomic risk, which were previously included in the strategic business risk.

Report of the Board of Directors and Management

As of June 30, 2025

The Board of Directors shall monitor the execution of the plan, in order to examine a potential increase of the dividend rate, up to 50% of net profit attributable to the Bank's shareholders, subject to the Bank's compliance with the Tier I capital to risk components ratio, as required under the Supervisor of Banks' directives, and to maintaining appropriate an safety buffer and subject to the Supervisor of Banks' approval.

It should be noted that in accordance with the aforementioned dividend policy, the Bank may buy-back Bank shares (subject to the above), all in accordance with the Board of Directors' resolutions regarding this matter, as passed from time to time, and subject to the provisions of the law. Buy-back of Bank shares, as noted above, shall be considered a "distribution", as defined in the Companies Law, 1999, and as such it would reduce any dividend amount to be distributed by the Bank pursuant to the dividend policy, all in accordance with the Board of Directors' resolutions regarding this matter, as passed from time to time.

For further details regarding the strategic plan and the assumptions, facts 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).

Developments in capital structure

Investments in Bank capital and transactions in Bank shares

On March 23, 2025, the Bank Board of Directors, after approval by the Remuneration Committee, approved the offering of options to the Bank President & CEO and to officers of the Bank (other than Bank Board members) and to other managers at the Bank and at subsidiaries of the Bank, with respect to 2025. See Note 17 to the financial statements for additional information.

Raising of capital sources

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

Developments in financing sources

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

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

Deposits

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

For more information see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below.

Issuance of obligatory notes, bonds and complex capital notes

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

On August 1, 2022, Tefahot Issuance published a shelf prospectus for issuance of bonds. On May 4, 2023, the Bank issued a shelf prospectus for issuance of obligatory notes. These prospectuses are valid for two years, with an optional extension by a further one year. On July 25, 2024, Tefahot Issuance received the approval of the Securities Authority to extend its shelf prospectus by one additional year until August 1, 2025. On April 27, 2025, the Bank received the approval of the Securities Authority to extend its shelf prospectus by one additional year until May 4, 2026.

As of June 30, 2025, total bonds and subordinated notes amounted to NIS 36.3 billion, compared to NIS 36.9 billion as of December 31, 2024.

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Of these, contingent subordinated notes (Contingent Convertibles – CoCo) with loss-absorption provisions through principal write-off (compliant with Basel III qualification provisions and recognized by the supervisor of Banks as Tier II capital), as of June 30, 2025, amounted to NIS 5.5 billion, compared to NIS 5.7 billion as of December 31, 2024.

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

Issuance and redemption of funding sources

On January 29, 2025, Tefahot Issuance issued to the public Bonds (Series 52 - by way of expansion) with par value of approx. NIS 2.5 billion and Commercial Papers (Series 4) with par value of approx. NIS 2.3 billion. The total proceeds received amounted to NIS 4.8 billion.

On July 17, 2025 - subsequent to balance sheet date - Tefahot Issuance issued to the public Bonds (Series 63 - by way of expansion) with par value of approx. NIS 1.9 billion, contingent subordinated notes (COCO) (Series 71 - by way of expansion) with par value of approx. NIS 0.7 billion and Commercial Papers (Series 5) with par value of approx. NIS 2.0 billion. The total proceeds received amounted to NIS 4.5 billion.

Significant developments in management of business operations

Banking reliefs and benefits for Bank customers

Bank of Israel's outline for supporting those who were adversely affected by the Iron Swords War, which was originally issued for 3 months, was extended six times during 2024 and through March 2025, six times for customers who joined this outline (according to the outline, the maximum cumulative payment deferral period within the framework of the outline shall be 9 months for each loan, and for certain populations - 12 months for each loan). For further information about the Bank of Israel's support outline, see the chapter Corporate governance, audit, other information about the Bank and its management.

Furthermore, in order to assist Bank customers to get through this challenging period, the Bank decided to offer a range of solutions to provide support and relief to Bank customers, at a scope which is substantially wider than the basis set by the Supervisor of Banks, including, among other things, support to reservists, special benefits to mortgage holders, who are residents of the north, refurbishment, and the setting up the Orange.Israel platform, which allows businesses and tradesmen from conflict zones to advertise their businesses.

For details of the benefits see the "significant developments in management of business operations" chapter of the 2024 annual financial statements.

As from May 2025, customers who serve as reservists, are given a benefit in the form of NIS 100 thousand interest and linkage-free mortgage, when they take out a new mortgage with respect of one apartment.

Following the conflict with Iran (Operation Rising Lion), the Bank of Israel published a dedicated support outline, which was adopted by the Bank. The outline, which is effective through July 31, 2025, includes an option to defer loans to small businesses and households (residential mortgages and consumer loans). The outline includes a benefit to businesses owned by reservists (with a turnover of up to NIS 25 million) - exemption for two months from interest on current account overdraft - up to a total of NIS 30 thousand.

Voluntary consumer relief outline

In March 2025, the Bank of Israel announced a voluntary consumer relief outline for customers of the banking system. Under the outline, during 2025-2026 the banks will provide reliefs and monetary refunds to retail banking customers; this will be implemented by each bank in accordance with the plan it prepared, at a total amount of NIS 1.5 billion per year and NIS 3 billion for the entire plan period (two years) for the entire banking system.

As from April 1, 2025, the Bank has in place a dedicated consumer plan for households and small businesses comprising several benefits pertaining to management of current accounts and mortgages. The plan constitutes the voluntary consumer outline initiated by the Supervisor of Banks. The Bank's plan for the second and third quarters of 2025 consists of several components, as follows:

- Interest payable on credit balance in the account: The Bank gives private customers and small businesses annual interest of 2% on credit balances of up to NIS 30,000 in current accounts (to customers with average balance of funds available for investment of up to NIS 100,000, including credit balance in current account, deposits, savings and securities).
- A NIS 500 quarterly grant to mortgage holders: This benefit will be available to households, which took from the Bank a mortgage to acquire a single property (not for investment purposes), whose value - as of the loan provision date - was lower than NIS 2.5 million, LTV higher than 60% and debt service ratio of more than 30%.
- "We've got the overdraft": Private customers, who have both a mortgage and a current account overdraft facility with Mizrahi-Tefahot would be exempt from paying interest on their overdraft up to the monthly mortgage repayment amount of NIS 6,000, whichever is lower.
- Reduction of the interest payable on debit balance in credit facilities: Private customers and small businesses shall benefit from a 3% reduction in the interest payable on debit balances in their credit facilities and current loan accounts.
- "No interest overdraft": A benefit for private customers, which includes a monthly offsetting mechanism between the credit and debit balances in the account; this enables the customer not to pay interest on their overdraft up to a maximum offset amount of NIS 10,000 per day.
- Benefits for certain populations against the backdrop of the Iron Swords War: Reservists in active service, households and small businesses located near the conflict zones in the south and the north, and Bank customers, who are first-degree relatives of people who lost their life in the war or of hostages held in Gaza will be eligible to an exemption from account management fees and 0% interest on amounts utilized out of current account credit facilities (NIS 10,000 to private customers and NIS 30,000 to owners of small businesses).

The Bank will reassess the benefits every quarter and may revise or renew them at its discretion.

The total cost, which will be included in the financial statements upon utilization of the benefits in respect of this outline, amounts to approximately NIS 600 million for two years, of which NIS 78 million were utilized in the second quarter.

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This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank's Board of Directors. These assumptions may not materialize due to factors which are not solely controlled by the Bank.

Set forth below are data regarding the benefits provided by the Bank to its customers under the Bank of Israel's 2025 outline and in respect of the Iron Swords War (NIS in millions):

	Residen- -tial	Private individuals - other	Small and micro businesses	Medium and large businesses	Total	For the six months ended June 30,	
	Three Months Ending June 30, 2025					2025	2024
A. Benefits provided to the public							
A1. Amounts of benefits charged to statement of profit and loss in the reporting period:							
Interest benefits through changes in credit terms ⁽¹⁾	4	17	12	-	33	40	48
Other interest benefits with respect to credit ⁽²⁾	22	1	-	-	23	26	18
Interest benefits on on-call deposits	-	23	4	-	27	27	-
Waiver of commissions ⁽³⁾	-	3	1	-	4	4	46
Charitable donations	-	-	-	-	-	-	13
Total	26	44	17	-	87	97	125

Of which: Under the Bank of Israel's 2025 outline (voluntary outline):

Interest benefits through changes in credit terms ⁽¹⁾	-	17	11	-	28	28	-
Other interest benefits with respect to credit ⁽²⁾	21	-	-	-	21	21	-
Interest benefits on on-call deposits	-	23	4	-	27	27	-
Waiver of commissions ⁽³⁾	-	2	-	-	2	2	-
Total	21	42	15	-	78	78	-

A2. Estimated amounts of benefits which have not yet been charged to the statement of profit and loss as of the report date⁽⁴⁾:

305	294	88	-	687	687	168
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Additional information about activities to benefit borrowers during wartime

	Residen- -tial	Private individuals - other	Small and micro businesses	Medium businesses	Large businesses	Total	For the six months ended June 30,	
	Three Months Ending June 30, 2025						2025	2024
Change in terms for borrowers in financial difficulties	-	-	-	-	-	-	-	8
Change in terms for borrowers not in financial difficulties:	493	158	91	10	-	752	2,450	22,366
Total credit	493	158	91	10	-	752	2,450	22,374

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	Residential	Private individuals – other	Small and micro businesses	Medium businesses	Large businesses	Total	As of March 31, 2025	As of December 31, 2024
As of June 30, 2025								
Balance of loans with changes in terms for borrowers in financial difficulties	-	1	12	5	-	18	20	28
Balance of loans with changes in terms for borrowers not in financial difficulties:								
Credit with interest waiver	29	-	57	2	-	88	-	-
Credit in deferral of payments and/or the extension of the period in which the deferral period had not yet ended	517	21	54	6	-	598	2,404	5,543
Of which: Problematic credit	6	-	-	-	-	6	63	117
Of which: Non-problematic credit, in arrears 30 days or longer	-	2	-	-	-	2	3	2
Payment amounts deferred	11	22	28	1	-	62	112	232
Average payment deferment by months	3	2	7	18	-	5	5	6
Credit with other change in terms	-	-	-	-	-	-	-	-
Total	546	22	123	13	-	704	2,424	5,571
<u>Additional information on change in terms for borrowers not in financial difficulties:</u>								
Balance of credit in which the payment deferral has ended	25,929	517	1,650	117	27	28,240	28,431	27,554
Of which: Debts defaulted after changes in terms	736	19	97	6	-	858	735	578
B2. Balance of extended loans as of the report date, which bear no interest or reduced interest⁽⁷⁾								
Credit balance	143	147	1,024	220	-	1,534	1,648	1,742

(1) Including by waiving interest on receivables and by deferral of loan repayments.

(2) Including by providing loans which bear no interest or reduced interest and by providing interest grants/refunds in respect of credit provided in periods prior to the outline.

(3) Including provision of grants/refunds in respect of commissions.

(4) The estimated amounts of benefits, which have not yet been recognized in the statement of profit and loss as of the reporting date, reflect the amounts which the Bank expects to be recognized in the future in respect of the adoption of the outlines, including costs of the voluntary outline over two years.

(5) Credit, whose terms changed during the reporting period, also includes credit whose repayment was deferred again during the reporting period

(6) Including deferral of payments without interest during the deferral period. If the repayment of debt was deferred again, the cumulative deferral period is presented.

The deferral of payments does not include a deferral to which the borrower is entitled by law.

(7) Including loans extended under State-guaranteed funds and/or funded by the Bank of Israel.

C. Special payment to the state due to the war

For details on tax expenses due to the "Special Payment for the Achievement of Budgetary Goals Law (Temporary Order – Iron Swords), 2024", see Note 17 to the Financial Statements.

Significant developments in human resources and administration

Changes to the Bank Board of Directors

For more information regarding the reappointment of Mr. Gilad Rabinovich as an external director in the Bank for a further (third) three (3)-year term in office, see chapter "Corporate governance, audit, other information about the Bank and its management".

For more information regarding the reappointment of Mr. Joseph Fellus as an external director in the Bank for a further (third) three (3)-year term in office, see the "Corporate governance, audit, other information about the Bank and its management" chapter.

Changes in Bank management

On May 20, 2025, the Bank's Board of Directors approved the CEO's recommendation to appoint Mr. Meir Aharoni, as VP, the Bank's Chief Information Officer (CIO) and CEO of Mizrahi Tefahot's Technology Division, further to Ms. Ayala Hakim's notice - of April 24, 2025 - regarding her wish to terminate her service and leave the Bank. Mr. Aharoni's term in office started on July 1, 2025.

Other matters

Legal Proceedings

For material changes in legal proceedings to which the Bank is party, see Note 10b to the financial statements.

Explanation and analysis of results and business standing

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

Trends, phenomena and material changes

General environment and impact of external factors on the Bank Group

Effects of the war

During the second quarter of 2025, the State of Israel continued to face high security tensions due to Operation Rising Lion involving Iran and the continued fighting in Gaza. In June, when Operation Rising Lion ended, a ceasefire was declared, following which Israel's risk premium decreased significantly; however, it still remained high compared to its level immediately prior to the Iron Swords War.

The Iron Swords War continues with varying intensity. The effects of the war, which caused disruptions in economic activity in Israel, the absence of employees who were drafted as reservists, the shortage of foreign and Palestinian workers, especially in the construction industry and the adverse effect on private consumption and on current business activity due to the deterioration in the security situation have subsided and economic activity mostly returned to normal levels.

If fighting is renewed or expanded, the Israeli economy, financial markets and the banking system may be adversely affected.

Note that even prior to this war, there was economic uncertainty due to the Government's plans to promote changes to the judicial system and the public disagreement with regard to this move. Since the outbreak of the war, there has been a significant increase in government spending - both in terms of defense costs, and in terms of compensation to civilians in respect of the damages of the war and looking after evacuees - all of which led to a sharp increase in the deficit rate. In view of the increase in the systemic risk due to the war, the Bank increased its overall risk assessment as from the third quarter of 2023, which remained unchanged despite the improvement in economic parameters and in the security situation, and despite the fact that no material changes were observed in the various risk benchmarks against the backdrop of the geopolitical uncertainty. The Bank will continue assessing the risk assessments in the forthcoming quarters.

For more information see chapter "Risks Overview" below, as well as the Report of the Board of Directors and the Risks Report for 2024.

For more information about banking reliefs and benefits extended to Bank customers, see chapter "Significant developments in management of business operations" above.

Major developments in the banking sector in Israel and overseas

For extensive information about trends in the banking sector in Israel and overseas in recent years, see chapter "Explanation and analysis of results and business standing" on the 2024 Report of the Board of Directors and Management.

Developments in the Israeli and global economy in 2025

Israeli economy

During the first half of 2025, economic activity in Israel continued to recover at a moderate pace against the backdrop of the Iron Swords War and Operation Rising Lion. Despite the gradual recovery, levels of activity are still lower than pre-war levels. The effects of the war are mainly evident on the supply side, in view of the continued shortage of workers due to the mobilization of reservists and the ban on the entry of Palestinian workers. The shortage of workers was alleviated as a result of the measures taken by the government to increase the number of foreign workers in the construction industry. On the demand side, private consumption, which was adversely affected in the first months of the war, has recovered and reached a level which is higher than pre-war levels. A combination of demand side constraints and the recovery of demand in the Israeli economy contributed to the increase in the inflation rate, which is slightly higher than the upper bound of the Bank of Israel's target. This increase is not in line with the trend of subsidence in inflation rates in most developed countries. Throughout the first half of the year there was a trend of a decline in the deficit rate; however, the deficit is still higher than the target level. In June 2025, following Operation Rising Lion and the ceasefire with Iran, Israel's risk premium decreased significantly; however, it still remained high compared to its level immediately prior to the Iron Swords War; local share indices increased, yields on government bonds decreased and there was an appreciation in the exchange rate of the shekel.

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The pace of activity in the global economy remained moderate in the first half of 2025. This was due to high uncertainty levels as a result of changes in the tariffs regime between the USA and its trade partners, which led to growing concerns regarding a decline in international trade, a slowdown in global economic growth and a global increase in inflation.

Non-financial developments

In the first quarter of 2025, Israel's GDP grew by an annual rate of 3.7%, further to an annual growth of 2.0% in the fourth quarter of 2024. In the first quarter of 2025, GDP levels are 0.7% higher than pre-war levels. GDP was positively affected by an increase in investment in fixed assets and exports of goods and services. On the other hand, private spending contracted. In 2024, GDP grew by 1.0%, further to a 1.8% growth in 2023.

The broad unemployment rate (persons aged 15 and older, original data) increased to 9.8% in June 2025 due to Operation Rising Lion, compared to 4.0% in May and 3.9% in December 2024. The number of vacant jobs in the economy is higher than pre-war levels.

According to forecast by the Bank of Israel Research Division dated July 2025, GDP in Israel is expected to grow by 3.3% in 2025. The average broad unemployment rate in 2025 (persons aged 25-64) is expected to be 2.9%.

Inflation and exchange rates

During the first half of this year, the Consumer Price Index (in lieu CPI) increased by 2.1%, which is identical to the increase rate in the corresponding period last year. During the past 12 months ending June 2025, the CPI increased by 3.3%, above the Bank of Israel's target range of between 1% and 3%. Expectations in the capital market for the next 12 months are at around the middle of the Bank of Israel's target range.

During the first half of the year, the shekel's exchange rate experienced volatility, and at the end of the first half of the year the shekel was appreciated by 7.5% against the dollar and depreciated by 4.2% against the Euro.

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

	June 30, 2025	December 31, 2024	Change in %
Exchange rate of:			
USD (in NIS)	3.372	3.647	(7.5)
EUR (in NIS)	3.955	3.796	4.2

On July 25, 2025, the USD/NIS exchange rate was 3.435 – a devaluation of 1.9% compared to the exchange rate as of June 30, 2025. The EUR/NIS exchange rate on that day was 4.005 - a 1.2% devaluation compared to the exchange rate as of June 30, 2025.

Monetary policy

In early January 2024, the Bank of Israel cut its interest rate from 4.75% to 4.50%. However, over the past year and a half the Bank of Israel interest rate remained unchanged at 4.50% in view of the geopolitical uncertainty and the fact that the inflation rate is above the upper bound of the target range. In the interest decision of July 2025 the Committee noted that interest rates will be determined in accordance with economic activity and fiscal policy, inflation's meeting its goal and the continued stability of financial markets.

Fiscal policy

In the first half of 2025, the Government budget recorded a NIS 31.8 billion cumulative deficit, compared to a NIS 63.5 billion cumulative deficit in the corresponding period last year. The deficit rate as percentage of GDP in the 12 months ended in June 2025 was 5.0%, and government spending increased by 2.4% compared to the corresponding period last year. At the beginning of July, the Government approved a compensation outline for businesses, which were adversely affected during Operation Rising Lion. The Ministry of Finance is of the opinion that the policy of support to the Israeli economy following Operation Rising Lion will be postponed by several months as part of the Government's income from taxes.

In accordance with the forecast of the Bank of Israel Research Division of July 2025, the deficit to GDP ratio is expected be 4.9% in 2025.

The State of Israel's credit rating

During 2024, the rating agency S&P downgraded the credit rating of the State of Isarel from AA- (pre-war level) to A with a negative outlook. The credit rating was downgraded following the prolongation and expansion of the war and the escalation of the conflict with Iran. Consequently, the rating agency expects that economic growth in Israel will suffer and that the deficit rate will increase.

During 2024, the rating agency Moody's downgraded the credit rating of the State of Isarel by three notches from A1 (pre-war level) to Baa1 with a negative outlook.

During 2024, the rating agency S&P downgraded Israel's credit rating from A+ (pre-war level) to A, with a negative outlook.

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During January 2025 and following the subsidence of fighting in the south and the ceasefire in the north, the international rating agencies published revised reviews regarding the Israeli economy. According to the reviews, the mitigation of the security risks increases Israel's economic potential; however, at this stage no changes were made to the credit rating and the outlook, mainly due to the potential future effects of the war and the need to wait for a stabilization of the security situation.

The credit rating agencies maintain Israel's credit rating unchanged with a negative outlook, and an emphasis on geopolitical risks.

At the beginning of March 2025, the rating agency Fitch published a rating action, which affirmed the A+ credit rating with a negative outlook. According to the agency, the mitigation of the security risks increases Israel's economic potential; however, at this stage no changes were made to the credit rating and the outlook, mainly due to the potential future effects of the war.

On May 9, 2025 the S&P rating agency announced that it was affirming the credit rating of the State of Israel at A with a negative outlook. In its statement, the agency noted that despite the stability of Israel's economy, the risks arising from the continued fighting with Hamas, Iran and its proxies remain high. The agency warned from a further downgrading of the rating if in the next couple of years the war will adversely affect the growth of GDP or the fiscal stability.

On July 7, 2025 the credit rating agency Moody's affirmed Israel's credit rating at Baa1 with a negative rating outlook. The agency noted that Israel demonstrated economic robustness despite the ongoing war. However, concerns as to an increase in the national debt and the geopolitical risks led to the agency's leaving the rating unchanged.

Residential construction and the mortgage market

According to data from the Central Bureau of Statistics, the number of apartments sold in the first five months of 2025 (new and second-hand apartments) amounted to 37.9 thousand, a 10.2% decrease compared to the corresponding period last year and a 22.2% increase compared to the corresponding period in 2023. This is due to limitations placed by the Supervisor of Banks in March 2025 on sales of apartments, in which payment is deferred, and on financing of loans by developers.

In the first half of 2025, residential mortgages extended to the public amounted to NIS 50.1 billion, compared to NIS 38.6 billion in the corresponding period last year and NIS 36.5 billion in the corresponding period in 2023 – an increase by 29.9% and 37.2%, respectively. The improvement in mortgage segment performance in the first half of 2025 was due to the coming to fruition of purchase transactions executed during 2024 as part of deals offered by developers and prior to the increase in the VAT rate at the beginning of 2025.

In accordance with data from the Central Bureau of Statistics, owned house prices during the 12 months ended May 2025 increased by 3.9%, compared to a 7.3% increase in 2024 and a 1.7% decrease in 2023.

Capital market

In the second quarter of 2025, the trading trend in key indices on Israeli equity markets was positive, similar to the trend on stock exchanges in the USA and globally.

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

Index	2025	2024				
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Tel-Aviv 35	22.4	1.0	12.8	7.0	(1.3)	7.8
Tel-Aviv 125	23.6	0.8	14.6	8.4	(4.4)	8.3
Tel-Aviv 90	26.3	(0.6)	19.6	13.3	(12.9)	10.9

In the second quarter of 2025, average daily trading turnover involving equities and convertible securities amounted to NIS 3.1 billion, compared to NIS 2.2 billion in the corresponding quarter last year. Average daily trading volume in the first half of 2025 was NIS 3.0 billion, compared to NIS 2.2 billion in the corresponding period last year. In 2024, the average daily trading volume amounted to NIS 2.2 billion.

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

Index	2025	2024				
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
All-Bond general	2.7	0.4	2.7	2.4	(0.9)	0.6
Government bonds, CPI-linked	2.7	(0.6)	2.0	3.2	(2.3)	(0.5)
Government bonds, non-linked	2.8	0.9	3.2	1.8	(1.5)	(0.5)
Tel-bond 20	3.0	0.2	2.4	2.5	(1.0)	1.5
Tel-bond 40	2.8	0.3	1.8	2.7	(0.1)	1.6

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Global economy

According to an OECD publication of June 2025, global GDP growth is expected to amount to 2.9% in each of the years 2025 and 2026. This, compared to a 3.3% growth in 2024. The expected decline in the global growth rate arises from changes in the tariffs regime between the USA and its trading partners, and its effects on global economy.

Since the beginning of the second quarter of 2025, the United States signed new trade deals with some of its trade partners, including the European Union, the UK and Japan. However, there is still uncertainty as to trade deals with other countries and the effect of those deals on the global economy.

The USA's economy expanded at an annualized rate of 1.1% in the first half of 2025, following growth of 2.8% in 2024 and growth of 2.9% in 2023. This in light of an increase in private and public spending. The Purchasing Manager index in the services sector indicated a declining expansion over the first half of the year, while the Purchasing Manager index in the industrial sector indicated a contraction in most months. In June 2025, the unemployment rate was 4.1%, which is identical to December 2024 levels. The inflation rate stood at 2.7% in the 12 months ended June, compared with 3.0% in December 2024. The Fed interest rate remained unchanged since the beginning of 2025 at a rate of 4.5%. This decision was made after a cumulative 1.0 percentage point interest rate cut in 2024 following slower increase in inflation rates. During May, the rating agency Moody's downgraded the USA's credit rating due to federal deficit and debt levels. In July, the US Senate approved a plan comprising the application of lower tax rates, increasing the defense budget and the national debt level.

The GDP in the Euro Zone in the first half of 2025 increased at an annualized rate of 1.6%, compared to 0.9% growth in 2024 and 0.7% growth in 2023. The Purchasing Manager Index in industry sectors indicated a declining contraction throughout the first half of 2025, whereas the Purchasing Manager Index in service sectors indicated a slow expansion. The inflation rate has been declining over the first six months of 2025, reaching 2.0% in the 12 months to June. In light of the cooling of the inflation rate, the monetary interest rate on deposits in the Euro Zone dropped by 2.0 percentage points from the second half of 2024 to April 2025 to a rate of 2.0%.

China's economy grew in the second quarter of 2025 at a rate of 5.2%, further to growth of 5.4% in the first quarter and growth of 5.0% in 2024. In the second quarter, GDP was affected by expansion in exports and investments. In view of the imposition of mutual tariffs by China and the USA, the Chinese government announced its intention to take a number of measures in order to support the economy, such as an increase in the minimum wage and support to businesses.

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

Index	2025	2024				
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Dow Jones	5.0	(1.3)	0.5	8.2	(1.7)	5.6
S&P 500	10.6	(4.6)	2.1	5.5	3.9	10.2
NASDAQ 100	17.6	(8.3)	4.7	1.9	7.8	8.5
DAX	7.9	11.3	3.0	6.0	(1.4)	10.4
FTSE 100	2.1	5.0	(0.8)	0.9	2.7	2.8
CAC	(1.6)	5.6	(3.3)	2.1	(8.9)	8.8
Nikkei	13.7	(10.7)	5.2	(4.2)	(2.0)	20.6

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.

Changes to risk assessment and to the Bank's risk profile are set forth below in chapter "Risks overview".

As a result of the war and the intensification of the geopolitical risks, during 2024 the international rating agencies downgraded the State of Israel's credit rating and revised the rating outlook. The banks' rating is influenced by the country's rating, and the Bank's credit rating and credit forecast was revised accordingly.

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During 2025, all three rating agencies left the credit rating and the rating outlook unchanged, mainly due to the potential effects of the geopolitical risks, the ongoing war and its potential effects on the economy.

For more information regarding the lowering of the State of Israel's credit rating, see the chapter "Developments in the Israeli and global economy in 2025" above.

For more information, including analysis of major risks to which the Bank is exposed and an overview of their management and evolution in the reported period, see chapter "Risks Overview" as well as the 2024 Risks Report on the Bank website: www.mizrahi-tefahot.co.il > About the Bank > Investor Relations > Financial Information.

Events after the balance sheet date

- For information about a dividend distribution with respect to earnings of the second quarter of 2025, see chapter "Analysis of structure of assets, liabilities, equity and capital adequacy" below and the statement of changes to shareholder equity and the Note "Events after the balance sheet date" of the financial statements.
- For more information regarding the public offering of bonds, contingent subordinated bonds and commercial papers by Tefahot Issuance on July 17, 2025 (subsequent to balance sheet date), see the Developments in financing sources chapter above.

Material developments in revenues, expenses and other comprehensive income

In the first half of 2025, the Group's net profit amounted to NIS 2,743 million, compared to NIS 2,724 million in the corresponding period last year - a 0.7% increase. This profit reflects a 17.0% annualized return on equity, compared to a return on equity of 19.0% in the corresponding period last year.

Group net profit in the second quarter of 2025 amounted to NIS 1,453 million, compared to NIS 1,452 million in the corresponding period last year – an increase by 0.1%. This reflects a 17.8% annualized return on equity, compared to 19.9% in the corresponding period last year and 18.5% in 2024.

Analysis of developments in revenues, expenses and other comprehensive income

Net interest revenues and non-interest financing revenues⁽¹⁾ from current operations in the first half of 2025, excluding the effect of Union Bank, amounted to NIS 5,691 million, as described below, compared to NIS 5,599 million in the corresponding period last year, an increase by 1.6%.

Net interest revenues and non-interest financing revenues⁽¹⁾ from current operations in the second quarter of 2025, amounted to NIS 2,856 million, as described below, compared to NIS 2,819 million in the corresponding period last year, an increase by 1.3%.

Net interest revenues and non-interest financing revenues⁽¹⁾ in the first half of 2025 amounted to NIS 6,077 million, compared to NIS 6,276 million in the corresponding period last year, a decrease of 3.2%.

Net interest revenues and non-interest financing revenues⁽¹⁾ in the second quarter of 2025 amounted to NIS 3,136 million, compared to NIS 3,246 million in the corresponding period last year, a decrease of 3.4%.

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

	2025		2024				Change rate in %
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Second quarter of 2025 to second quarter of 2024
Interest revenues, net	3,093	2,799	2,753	3,156	3,220	2,685	
Non-interest financing revenues ⁽¹⁾	43	142	143	60	26	345	
Total financing revenues	3,136	2,941	2,896	3,216	3,246	3,030	(3.4)
Net of:							
Effect of the Consumer Price Index	323	60	(13)	439	494	88	
Revenues from interest collected with respect to problematic debts	11	11	14	13	13	8	
Gains from bonds and shares	55	38	49	16	16	44	
Other effects ⁽²⁾	(109)	(3)	(5)	(99)	(96)	110	
Total effects other than from current operations	280	106	45	369	427	250	
Total financing revenues from current operations	2,856	2,835	2,851	2,847	2,819	2,780	1.3

	Six months		Change rate (In %)
	2025	2024	
Total financing revenues	6,077	6,276	(3.2)
Total effects other than from current operations	386	677	
Total financing revenues from current operations	5,691	5,599	1.6

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

(2) Including the effect of accounting treatment of derivatives at fair value is due to the difference between accounting treatment of balance sheet instruments, charged to the profit and loss statement on an accrual basis (interest, linkage differentials and exchange rate differentials only), vs. derivatives measured at fair value and revenues from early repayment commissions, cost of benefits to customers as part of the various plans, including a voluntary consumer outline of the second quarter of 2025 and one-time effects, if any.

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Below are financing revenues by supervisory operating segment (NIS in millions):

Operating segment	Second quarter			
	2025	2024	Change amount	Change in %
Private individuals:				
Households – residential mortgages	717	720	(3)	(0.4)
Households – other	956	978	(22)	(2.2)
Private banking	108	87	21	24.1
Total individuals	1,781	1,785	(4)	(0.2)
Business operations:				
Small and micro businesses	626	644	(18)	(2.8)
Medium businesses	177	161	16	9.9
Large businesses	350	358	(8)	(2.2)
Institutional investors	71	61	10	16.4
Total business activity	1,224	1,224	-	-
Financial management	(52)	81	(133)	-
Total activity in Israel	2,953	3,090	(137)	(4.4)
Overseas activity	183	156	27	17.3
Total	3,136	3,246	(110)	(3.4)

Operating segment	For the six months ended June 30			
	2025	2024	Change amount	Change in %
Private individuals:				
Households – residential mortgages	1,401	1,381	20	1.4
Households – other	1,925	1,891	34	1.8
Private banking	220	174	46	26.4
Total individuals	3,546	3,446	100	2.9
Business operations:				
Small and micro businesses	1,278	1,284	(6)	(0.5)
Medium businesses	342	320	22	6.9
Large businesses	694	657	37	5.6
Institutional investors	133	117	16	13.7
Total business activity	2,447	2,378	69	2.9
Financial management	(276)	128	(404)	-
Total activity in Israel	5,717	5,952	(235)	(3.9)
Overseas activity	360	324	36	11.1
Total	6,077	6,276	(199)	(3.2)

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

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

Linkage segment	Second quarter			First half		
	2025	2024	Change in %	2025	2024	Change in %
Israeli currency – non-linked	323,090	294,632	9.7	318,831	292,537	9.0
Israeli currency – linked to the CPI	84,453	84,484	(0.0)	84,608	82,815	2.2
Foreign currency (including Israeli currency linked to foreign currency)	23,955	16,480	45.4	21,732	16,104	34.9
Total	431,498	395,596	9.1	425,171	391,456	8.6
Total including activity overseas	464,113	426,737	8.8	458,564	423,232	8.3

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

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

Linkage segments	Second quarter		First half	
	2025	2024	2025	2024
Israeli currency – non-linked	1.62	1.99	1.69	1.97
Israeli currency – linked to the CPI	1.94	1.81	1.88	1.78
Foreign currency	0.71	0.87	0.54	0.75
Total	1.71	1.90	1.65	1.74

(1) Revenue and expense rates calculated for interest-bearing assets and liabilities.

(2) Average balances before deduction of provision with respect to credit losses.

Changes in interest spreads:

The decrease in the overall interest spread is primarily due to the lower increase in inflation compared to the corresponding period last year, and to benefits and reliefs in financing terms provided to customers under the voluntary consumer reliefs outline.

The interest spread represents the difference between interest revenue rate for on-balance sheet assets and interest expense rate for on-balance sheet liabilities, excluding the effect of derivatives. Adding these revenues from derivatives would offset the decrease in the unlinked Israeli currency and foreign currency interest spread.

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

Interest revenues, net and non-interest financing revenues are impacted by the change in interest rates and by the change in activity, as reflected in balances of loans and deposits.

For details on interest rates and interest expenses of the Bank and its subsidiaries see Appendix 1 to the Financial Statements.

For more information about average balances of loans to the public and deposits from the public, and about revenues from the loan/deposit spread by operating segment, see Note 12 to the financial statements.

For more information about the impact of scenarios of changes to interest rates on interest revenues, net and on non-interest financing revenues, see chapter "Market risk and interest risk" below.

Expenses with respect to credit losses for the Group amounted to NIS 159 million in the first half of 2025, an annualized rate of 0.08% of total loans to the public, net, compared to expenses amounting to NIS 284 million in the corresponding period last year – an annualized rate of 0.17% of total loans to the public, net in the corresponding period last year.

Expenses with respect to credit losses for the Group amounted to NIS 56 million in the second quarter of 2025, or an annualized rate of 0.06% of total loans to the public, net, compared to expenses amounting to NIS 109 million in the corresponding period last year – an annualized rate of 0.13% of total loans to the public, net in the corresponding period last year.

The decrease in expenses with respect to credit losses compared to the corresponding period last year arises from a decrease in individual provisions and from a decrease in the collective provision in respect of the war in the current half. However, in view of the level of uncertainty in the economy, which remained high, the amount of the balance-sheet balance of the provision for credit losses remained high.

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

	Second quarter		First half	
	2025	2024	2025	2024
Expenses for credit losses on individual basis				
Increased expenses	64	164	175	236
Decreased expenses	(63)	(79)	(103)	(130)
Total individual expense for credit losses⁽¹⁾	1	85	72	106
Net accounting write-offs⁽²⁾	48	52	109	120
Expenses for credit losses on group basis				
with respect to residential mortgages	(3)	12	(37)	34
Other	10	(40)	15	24
Total group expense (revenues) for credit losses	7	(28)	(22)	58
Total expenses with respect to credit losses	56	109	159	284
Rate of the expenses with respect to credit losses as percentage of total loans to the public, net (annualized)	0.06%	0.13%	0.08%	0.17%
Of which: With respect to commercial loans other than residential mortgages	0.16%	0.31%	0.27%	0.40%
Of which: with respect to residential mortgages	(0.01%)	0.02%	(0.03%)	0.03%
Rate of the expenses with respect to individual provision for credit losses, as percentage of total loans to the public, net (annualized):	-	0.10%	0.04%	0.06%

(1) Including individual provisions for customers, against which a decrease in group-based provision was recorded.

(2) Write-offs due to debts measured on a collective basis

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

Operating segment	Second quarter		First half		Rate of expenses with respect to credit losses ⁽¹⁾ in the second quarter		Rate of expenses with respect to credit losses ⁽¹⁾ in the first half	
	2025	2024	2025	2024	2025	2024	2025	2024
Private individuals:								
Households – residential mortgages	(3)	12	(37)	34	(0.01)	0.02	(0.03)	0.03
Households – other	34	30	88	74	0.50	0.45	0.65	0.55
Private banking	-	-	-	-	-	-	-	-
Total individuals	31	42	51	108	0.05	0.07	0.04	0.09
Business operations:								
Small and micro businesses	(24)	88	49	165	(0.27)	1.04	0.28	0.97
Medium businesses	2	1	(2)	14	0.05	0.03	(0.02)	0.23
Large businesses	21	(74)	11	(75)	0.18	(0.79)	0.05	(0.40)
Institutional investors	8	3	9	6	0.47	0.28	0.27	0.28
Total business activity	7	18	67	110	0.03	0.08	0.13	0.25
Financial management	1	1	1	1	-	-	-	-
Total activity in Israel	39	61	119	219	0.04	0.07	0.07	0.13
Overseas activity	17	48	40	65	0.56	1.85	0.66	1.25
Total	56	109	159	284	0.06	0.13	0.08	0.17

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

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

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

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

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Non-interest financing revenues in the first half of 2025 amounted to NIS 185 million, compared to NIS 371 million in the corresponding period last year.

Non-interest financing revenues in the second quarter of 2025 amounted to NIS 43 million, compared to NIS 26 million in the corresponding period last year.

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

Commission revenues amounted to NIS 1,123 million in the first half of 2025, compared with NIS 1,018 million in the corresponding period last year – a year-over-year increase by 10.3%.

Commission revenues in the second quarter of 2025 amounted to NIS 590 million, compared to NIS 516 million in the corresponding period last year – an increase by 14.3%.

The increase in commission revenues arises mainly from an increase in activity, mainly with respect to securities and foreign currencies.

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

	Second quarter		2025	First half	All of
	2025	2024		2024	2024
Account management	106	94	217	191	394
Activities involving securities	84	65	164	135	294
Conversion differences	98	79	187	158	341
Commissions from financing transactions	125	112	198	203	351
Credit cards	67	67	133	131	266
Credit processing ⁽¹⁾	32	30	66	63	131
Other commissions	78	69	158	137	283
Total commissions	590	516	1,123	1,018	2,060

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

Other revenues in the first half of 2025, amounted to NIS 137 million compared to NIS 139 million in the corresponding period last year.

In the second quarter of 2025, other revenues amounted to NIS 65 million, compared to NIS 73 million in the corresponding quarter last year.

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

Operating and other expenses in the first half of 2025 amounted to NIS 2,662 million, compared to NIS 2,607 million in the corresponding period last year, an increase by 2.1%.

Operating and other expenses in the second quarter of 2025 amounted to NIS 1,323 million, compared to NIS 1,328 million in the corresponding period last year, a decrease of 0.4%.

For details by operating expense component, see below.

Payroll and associated expenses in the first half of 2025 amounted to NIS 1,734 million, compared to NIS 1,724 million in the corresponding period last year, an increase by 0.6%.

Payroll and associated expenses in the second quarter of 2025 amounted to NIS 857 million, compared to NIS 868 million in the corresponding period last year, a decrease of 1.3%.

Payroll expenses were affected, among other things, by adjustments to variable remuneration items, due to the financial results.

In the first half of 2025, **buildings and equipment maintenance and depreciation expenses** amounted to NIS 529 million compared to NIS 493 million in the corresponding quarter last year – a 7.3% increase.

Maintenance and depreciation expenses for buildings and equipment amounted to NIS 269 million in the second quarter of 2025, compared with NIS 251 million in the corresponding period last year – an increase by 7.2%.

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Other expenses amounted to NIS 399 million in the first half of 2025, compared with NIS 390 million in the corresponding period last year – a year-over-year increase by 2.3%.

In the second quarter of 2025, other expenses amounted to NIS 197 million, compared to NIS 209 million in the corresponding quarter last year – a 5.7% decrease, which arises mainly from a large amount of advertising and charitable donations expenses in the corresponding quarter last year.

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

	2025		2024			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Cost Income Ratio	34.9	37.8	38.0	33.9	34.6	35.5

	First half		All of	
	2025	2024	2024	
Cost Income Ratio	36.3	35.1	35.5	

(1) Total operating and other expenses to total operating and financing revenues and expenses with respect to credit losses.

In the first half of 2025, **pre-tax Group profit** amounted to NIS 4,516 million, compared to NIS 4,542 million in the corresponding period last year – a 0.6% increase. For a detailed explanation, see above.

Group profit before taxes in the second quarter of 2025 amounted to NIS 2,412 million, compared to NIS 2,398 million in the corresponding period last year, an increase by 0.6%. For a detailed explanation, see above.

In the first half of 2025, **the rate of provision for taxes out of profit** was 37.1%, compared to 38.0% in the corresponding period last year.

In the second quarter of 2025, the rate of provision for taxes out of profit was 37.7%, compared to 37.2% in the corresponding quarter last year.

The rate of provision to taxes from profits was influenced, among other things, from the Special Payment Law to Achieve the Budgetary Targets (Temporary Order – Iron Swords), 2024, which was passed by the Knesset in March 2024 (for details see Note 17 to the Financial Statements).

Bank share of after-tax profit of associates – in the first half of 2025 the Bank recognized gain with respect to associates amounting to NIS 11 million, compared to NIS 12 million in the corresponding period last year.

The Bank's share in associates' post-tax profits - in the second quarter of 2025 the Bank recognized gains with respect to associates amounting to NIS 6 million, compared to NIS 3 million in the corresponding quarter last year.

The share of the non-controlling interests in net results of subsidiaries attributable to Bank Yahav in the first half of 2025 amounted to NIS 110 million, compared to NIS 102 million in the corresponding period last year.

The share of the non-controlling interests in net results of subsidiaries attributable to Bank Yahav in the second quarter of 2025 amounted to NIS 55 million, compared to NIS 56 million in the corresponding period last year.

Net profit attributable to shareholders of the Bank in the first half of 2025 amounted to NIS 2,743 million, compared to NIS 2,724 million in the corresponding period last year.

Net profit attributable to shareholders of the Bank in the second quarter of 2025 amounted to NIS 1,453 million, compared to NIS 1,452 million in the corresponding period last year.

Other comprehensive income – Changes to the Bank's shareholders' equity are due to Group net profit, as well as to other changes that do not impact net profit, including changes to fair value of bonds available for sale, and changes to actuarial obligations with respect to benefits to Bank employees, net of tax effect. These effects increased the Bank's shareholders' equity in the first half of 2025 by NIS 96 million, compared to a NIS 10 million decrease in the corresponding period last year.

In the second quarter of 2025, these effects increased the Bank's shareholders' equity by NIS 64 million, compared to a decrease of NIS 64 million in the corresponding quarter last year.

For more information see Note 4 to the financial statements.

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

	2025		2024			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net profit return on equity	17.8	16.2	16.9	19.0	19.9	18.1
Ratio of Tier I equity to risk components at end of quarter	10.41	10.37	10.40	10.43	10.44	10.60
Liquidity coverage ratio (quarterly)	135	139	135	127	131	139
Leverage ratio at end of quarter	6.03	6.03	6.04	6.01	5.99	5.99

	First half		All of
	2025	2024	2024
Net profit return on equity	17.0	19.0	18.5

(1) Annualized.

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

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

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

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

Below is data for earnings and dividends per share (primary share of INR 0.1 par value) (in INR):					
	Second quarter	First half		All of	
	2025	2024	2025	2024	2024
Basic earnings per share	5.60	5.62	10.58	10.55	21.12
Diluted earnings per share	5.56	5.60	10.51	10.50	21.02
Dividends per share	199	197	401	278	724

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

Assets and liabilities

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

				Change in % compared to	
		June 30	December 31	June 30	December 31
	2025	2024	2024	2024	2024
Total assets	517,287	461,684	485,643	12.0	6.5
Cash and deposits with banks	78,885	85,912	82,644	(8.2)	(4.5)
Loans to the public, net	376,672	337,698	357,981	11.5	5.2
Securities	39,704	25,370	28,491	56.5	39.4
Buildings and equipment	1,906	1,612	1,852	18.2	2.9
Deposits from the public	417,394	373,579	393,383	11.7	6.1
Deposits from banks	2,497	2,433	2,599	2.6	(3.9)
Bonds and subordinated notes	36,332	39,578	36,916	(8.2)	(1.6)
Shareholders' equity	33,114	29,464	31,292	12.4	5.8

Cash and deposits with banks – the balance of cash and deposits with banks decreased in the first half of 2025 by NIS 3.8 billion, as part of on-going management of Bank liquidity.

Loans to the public, net – loans to the public, net as of June 30, 2025 accounted for 73% of total assets, compared to 74% at the end of 2024. Loans to the public, net, increased in the first half of 2025 by NIS 18.7 billion, an increase of 5.2%.

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

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

				Change in % compared to	
		June 30	December 31	June 30	December 31
	2025	2024	2024	2024	2024
Israeli currency					
Non-linked	269,222	233,266	253,275	15.4	6.3
CPI-linked	82,417	83,885	84,048	(1.8)	(1.9)
Foreign currency, including linked to foreign currency	25,033	20,547	20,658	21.8	21.2
Total	376,672	337,698	357,981	11.5	5.2

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

				Change in % compared to	
		June 30	December 31	June 30	December 31
	2025	2024	2024	2024	2024
Private individuals:					
Households – residential mortgages	232,029	212,224	224,114	9.3	3.5
Households – other	27,161	26,948	27,438	0.8	(1.0)
Private banking	145	119	140	21.8	3.6
Total individuals	259,335	239,291	251,692	8.4	3.0
Business operations:					
Small and micro businesses	34,941	33,857	36,543	3.2	(4.4)
Medium businesses	16,690	12,189	13,532	36.9	23.3
Large businesses	46,759	37,656	41,643	24.2	12.3
Institutional investors	6,764	4,309	3,844	57.0	76.0
Total business activity	105,154	88,011	95,562	19.5	10.0
Overseas activity	12,183	10,396	10,727	17.2	13.6
Total	376,672	337,698	357,981	11.5	5.2

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

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

Reported amounts (NIS in millions)	As of June 30, 2025				As of June 30, 2024			
	Commer-	Residen-	Individ-	Total	Commer-	Residen-	Individ-	Total
	-cial	-tial	ual		-cial	-tial	ual	
Credit risk at performing credit rating ⁽²⁾								
On-balance sheet credit risk	116,036	227,815	26,729	370,580	96,895	208,542	26,400	331,837
Off-balance sheet credit risk ⁽³⁾	82,244	18,422	16,475	117,141	69,365	16,198	15,314	100,877
Total credit risk at performing credit rating	198,280	246,237	43,204	487,721	166,260	224,740	41,714	432,714
Credit risk other than at performing credit rating								
A. Non-problematic	3,917	3,161	321	7,399	4,069	2,805	355	7,229
B. Problematic accruing	1,054	-	199	1,253	1,623	-	162	1,785
C. Problematic non-accruing	1,625	2,245	73	3,943	1,570	2,127	88	3,785
Total on-balance sheet credit risk other than at performing credit rating	6,596	5,406	593	12,595	7,262	4,932	605	12,799
Off-balance sheet credit risk ⁽³⁾ other than at performing credit rating	1,891	-	37	1,928	1,485	-	33	1,518
Total credit risk other than at performing credit rating	8,487	5,406	630	14,523	8,747	4,932	638	14,317
Of which: Accruing debts, in arrears 90 days or longer	84	-	57	141	86	-	38	124
Total credit risk, including risk to the public⁽⁴⁾	206,767	251,643	43,834	502,244	175,007	229,672	42,352	447,031
Non-performing assets⁽⁵⁾	1,625	2,245	73	3,943	1,570	2,127	88	3,785

	Credit risk ⁽¹⁾ As of December 31, 2024			
	Commer-	Residen-	Individ-	Total
	-cial	-tial	ual	
Credit risk at performing credit rating ⁽²⁾				
On-balance sheet credit risk	104,601	220,122	26,828	351,551
Off-balance sheet credit risk ⁽³⁾	77,581	16,732	15,702	110,015
Total credit risk at performing credit rating	182,182	236,854	42,530	461,566
Credit risk other than at performing credit rating				
A. Non-problematic	3,956	3,101	350	7,407
B. Problematic accruing	1,339	-	189	1,528
C. Problematic non-accruing	2,027	2,141	83	4,251
Total on-balance sheet credit risk other than at performing credit rating	7,322	5,242	622	13,186
Off-balance sheet credit risk ⁽³⁾ other than at performing credit rating	1,293	-	34	1,327
Total credit risk other than at performing credit rating	8,615	5,242	656	14,513
Of which: Accruing debts, in arrears 90 days or longer	82	-	63	145
Total credit risk, including risk to the public⁽⁴⁾	190,797	242,096	43,186	476,079
Non-performing assets⁽⁵⁾	2,027	2,141	83	4,251

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

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

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

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

(5) Assets not accruing interest.

- For further information regarding debts whose payment has been postponed by 180 days or more, which are not classified as problematic, see Note 13.B.1.A to the Financial Statements.

Credit risk is composed of on-balance-sheet risk and off-balance-sheet credit risk, which are weighted by nature of the borrower and credit type, as per Bank of Israel directives. On-balance sheet risk includes balances of loans to the public, derivative instruments purchased by the public and Group investments in public bonds. Off-balance sheet credit risk includes guarantees and transactions in off-balance sheet instruments, commitments to extend credit and un-utilized

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credit facilities. Total credit risk to the public for the Bank Group as of June 30, 2025 amounted to NIS 502 billion, compared to NIS 476 billion as of December 31, 2024 – an increase by 5.4%.

For more information about credit risk with respect to individuals (excluding residential mortgages), credit risk in the construction and real estate economic sector in Israel and residential mortgage risk, see chapter "Credit risk".

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

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

	As of June 30, 2025				As of June 30, 2024			
	Commer- cial	Residen- tial	Individ- ual	Total	Commer- cial	Residen- tial	Individ- ual	Total
Analysis of quality of loans to the public								
Non-accruing credit as percentage of total loans to the public	1.34	0.96	0.27	1.03	1.53	1.00	0.33	1.10
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.41	0.96	0.48	1.07	1.62	1.00	0.47	1.14
Problematic credit as percentage of total loans to the public	2.22	0.96	1.00	1.36	3.13	1.00	0.93	1.62
Credit not at performing credit rating as percentage of total loans to the public	5.49	2.32	2.17	3.31	7.17	2.31	2.24	3.74
Analysis of expenses with respect to credit losses for the reported period								
Expenses with respect to credit losses as percentage of average balance of loans to the public	0.09	(0.02)	0.32	0.04	0.18	0.02	0.27	0.08
Net accounting write-offs as percentage of average balance of loans to the public	0.15	-	0.30	0.07	0.12	-	0.32	0.06
Analysis of provision for credit losses with respect to loans to the public								
Provision for credit losses as percentage of total loans to the public	1.99	0.50	2.58	1.12	2.44	0.55	2.56	1.27
Provision for credit losses as percentage of total loans to the public non-accruing	148.5	52.4	964.4	108.7	159.6	55.6	785.2	115.5
Provision for credit losses as percentage of total loans to the public non-accruing or in arrears 90 days or longer	141.1	52.4	541.5	104.9	151.2	55.6	548.4	111.8
Expense rate with respect to credit losses from net accounting write-offs	0.64	-	1.09	0.64	1.50	-	0.87	1.40

	As of December 31, 2024			
	Commer- cial	Residen- tial	Individ- ual	Total
Analysis of quality of loans to the public				
Non-accruing credit as percentage of total loans to the public	1.85	0.95	0.30	1.17
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.92	0.95	0.53	1.21
Problematic credit as percentage of total loans to the public	3.07	0.95	0.99	1.59
Credit not at performing credit rating as percentage of total loans to the public	6.70	2.33	2.27	3.64
Analysis of expenses with respect to credit losses for the reported period				
Expenses with respect to credit losses as percentage of average balance of loans to the public	0.31	0.03	0.51	0.15
Net accounting write-offs as percentage of average balance of loans to the public	0.28	-	0.53	0.12
Analysis of provision for credit losses with respect to loans to the public				
Provision for credit losses as percentage of total loans to the public	2.24	0.54	2.54	1.20
Provision for credit losses as percentage of total loans to the public non-accruing	121.2	56.7	839.8	102.7
Provision for credit losses as percentage of total loans to the public non-accruing or in arrears 90 days or longer	116.5	56.7	477.4	99.3
Expense rate with respect to credit losses from net accounting write-offs	1.10	-	0.97	1.20

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

	Change in % compared to				
	June 30	December 31	June 30	December 31	
	2025	2024	2024	2024	2024
Off-balance sheet financial instruments other than derivatives:					
Unutilized debitory account and other credit facilities in accounts					
On-call, un-utilized	40,253	29,662	34,011	35.7	18.4
Guarantees to home buyers	18,236	17,001	18,671	7.3	(2.3)
Irrevocable commitments for loans approved but not yet granted	35,682	31,506	33,445	13.3	6.7
Unutilized revolving credit card facilities	13,930	12,561	12,928	10.9	7.8
Commitments to issue guarantees	16,124	12,944	15,376	24.6	4.9
Guarantees and other commitments	15,941	14,459	15,573	10.2	2.4
Loan guarantees	4,850	3,910	4,194	24.0	15.6
Documentary credit	353	217	272	62.7	29.8
Derivative financial instruments⁽¹⁾:					
Total par value of derivative financial instruments	451,735	399,345	428,888	13.1	5.3
(On-balance sheet) assets with respect to derivative instruments	9,465	5,831	5,526	62.3	71.3
(On-balance sheet) liabilities with respect to derivative instruments	10,204	4,833	5,123	111.1	99.2

(1) Includes forward transactions, swaps, options and credit derivatives. For more information see Note 11.

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

Securities – investment in securities increased in the first half of 2025 by NIS 11.2 billion. The increase in the balance of investment in securities is mainly due to investment in US treasuries as part of the management of the Bank's assets and liabilities.

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

	Carrying amount	Amortized cost (for shares – cost)	Provision for credit losses	Gain from fair value adjustments	Loss from fair value adjustments	Fair value ⁽¹⁾
June 30, 2025						
Bonds held to maturity	3,610	3,610	-	12	(95)	3,527
Bonds available for sale ⁽²⁾	25,181	25,337	(8)	195	(343)	25,181
Investment in shares not held for trading ⁽³⁾	1,002	841	-	171	(10)	1,002
Securities held for trading ⁽³⁾	9,911	9,716	-	207	(12)	9,911
Total securities	39,704	39,504	(8)	585	(460)	39,621
June 30, 2024						
Bonds held to maturity	3,762	3,762	-	3	(163)	3,602
Bonds available for sale ⁽²⁾	13,377	14,037	(8)	39	(691)	13,377
Investment in shares not held for trading ⁽³⁾	729	701	-	45	(17)	729
Securities held for trading ⁽³⁾	7,502	7,748	-	5	(251)	7,502
Total securities	25,370	26,248	(8)	92	(1,122)	25,210
December 31, 2024						
Bonds held to maturity	3,624	3,624	-	9	(122)	3,511
Bonds available for sale ⁽²⁾	15,721	16,034	(8)	121	(426)	15,721
Investment in shares not held for trading ⁽³⁾	878	710	-	177	(9)	878
Securities held for trading ⁽³⁾	8,268	8,024	-	266	(22)	8,268
Total securities	28,491	28,392	(8)	573	(579)	28,378

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

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

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

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

	Change in % compared to				
	June 30	December 31	2024	June 30	December 31
	2025	2024		2024	2024
Israeli currency					
Non-linked	13,284	13,745	12,754	(3.4)	4.2
CPI-linked	6,890	4,126	6,119	67.0	12.6
Foreign currency (including linked to foreign currency)	18,505	6,754	8,720	174.0	112.2
Non-monetary items	1,025	745	898	37.6	14.1
Total	39,704	25,370	28,491	56.5	39.4

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

	Carrying amount as of		
	June 30, 2025	June 30, 2024	December 31, 2024
Government bonds:			
Government of Israel	26,136	21,304	23,245
US Government	10,180	878	1,961
Total Government bonds	36,316	22,182	25,206
Bonds of financial institutions in Israel:			
Total bonds of financial institutions in Israel	996	856	799
Bonds of banks in developed nations:			
USA	22	91	72
Other	52	71	66
Total bonds of banks in developed nations	74	162	138
Corporate bonds (by economic sector):			
Rental property	477	533	552
Power, gas, steam and air conditioning	235	226	243
Mining and excavation	71	80	77
Industrial – chemical industry	48	56	150
Construction	145	134	52
Other	264	340	320
Total corporate bonds	1,240	1,369	1,394
Asset-backed corporate bonds (ABS)			
Mining and excavation	53	56	56
Total asset-backed corporate bonds (ABS)	53	56	56
Shares and other securities			
Investment in shares not held for trading	1,002	729	878
Of which: Shares for which no fair value is available ⁽¹⁾	682	504	582
Shares and other securities held for trading	23	16	20
Total shares and other securities	1,025	745	898
Total securities	39,704	25,370	28,491

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

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

Buildings and equipment – the balance of buildings and equipment increased in the first half of 2025 by NIS 54 million. The increase derives from investment in the Lod Bank HQ and technological investments, against current change due to depreciation.

Deposits from the public – these account for 81% of total consolidated assets as of June 30, 2025, similar to their weight as of December 31, 2024. In the first half of 2025, deposits from the public increased by NIS 24.0 billion, or 6.1%.

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

	Change in % compared to				
	June 30	December 31	June 30	December 31	
	2025	2024	2024	2024	2024
Israeli currency					
Non-linked	306,412	276,517	290,010	10.8	5.7
CPI-linked	31,237	26,058	29,729	19.9	5.1
Foreign currency, including linked to foreign currency	79,745	71,004	73,644	12.3	8.3
Total	417,394	373,579	393,383	11.7	6.1

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

	Change in % compared to				
	June 30	December 31	June 30	December 31	
	2025	2024	2024	2024	2024
Private individuals:					
Households – other	134,900	135,282	133,619	(0.3)	1.0
Private banking	32,142	30,937	30,815	3.9	4.3
Total individuals	167,042	166,219	164,434	0.5	1.6
Business operations:					
Small and micro businesses	55,545	57,359	60,622	(3.2)	(8.4)
Medium businesses	28,509	13,537	14,066	-	-
Large businesses	41,303	38,961	42,312	6.0	(2.4)
Institutional investors	108,247	83,480	94,923	29.7	14.0
Total business activity	233,604	193,337	211,923	20.8	10.2
Overseas activity	16,748	14,023	17,026	19.4	(1.6)
Total	417,394	373,579	393,383	11.7	6.1

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

	June 30	December 31	
	2025	2024	2024
	2025	2024	2024
Maximum deposit			
Up to 1	112,674	109,945	108,574
Over 1 to 10	97,047	94,878	95,547
Over 10 to 100	43,349	44,860	45,023
Over 100 to 500	34,689	32,942	36,198
Above 500	129,635	90,954	108,041
Total	417,394	373,579	393,383

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

Deposits from banks – the balance of deposits from banks as of June 30, 2025 amounted to NIS 2.5 billion, a decrease of NIS 0.1 billion compared to end of 2024, which derives from the redemption of monetary loans.

Bonds and subordinated notes – The balance of bonds and subordinated notes as of June 30, 2025 amounted to NIS 36.3 billion, a NIS 0.6 billion decrease compared to the balance as of December 31, 2024. In the first half of 2025, bonds and subordinated notes were affected, among other things, by the issuance of commercial papers (Series 4), and bonds (Series 52 – by way of expansion) in consideration for approximately NIS 4.8 billion, from current redemptions and the change in the Consumer Price Index. For more information see chapter "Developments in financing sources" above.

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Capital, capital adequacy and leverage

Shareholder equity attributable to shareholders of the Bank – Shareholder equity attributable to equity holders of the Bank as of June 30, 2025 amounted to NIS 33.1 billion, compared to NIS 31.3 billion and NIS 29.5 billion as of December 31, 2024 and as of June 30, 2024, an increase by 5.8% and 12.4%, respectively.

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

		June 30	December 31
	2025	2024	2024
Share capital and premium ⁽¹⁾	3,652	3,562	3,571
Capital reserve from benefit from share-based payment transactions	94	120	154
Cumulative other comprehensive loss ⁽²⁾⁽³⁾	(119)	(420)	(215)
Retained earnings ⁽⁴⁾	29,487	26,202	27,782
Total	33,114	29,464	31,292

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

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

(3) Includes actuarial obligation with respect to streamlining program for employee retirement, see Notes 22 and 25 to the 2024 financial statements.

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

As of June 30, 2025, the shareholders' equity to total assets ratio was 6.40% compared to 6.44% as of December 31, 2024 and 6.38% as of June 30, 2024.

Capital adequacy

Supervisory requirement

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

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

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

Additional Tier I capital consists of equity instruments which fulfill the requirements specified in the directives. As of June 30, 2025, the Bank had no capital instruments included in additional Tier I capital.

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

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

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

Capital planning at the Bank

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

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

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

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

Consequently, the Bank stipulated that the Bank's target Tier I capital for capital planning would be as required by directives of the Supervisor of Banks, as noted above, including the capital requirement with respect to balance of residential mortgages, plus appropriate safety margins. The Bank's Board of Directors has specified, in capital management policy, in internal planning processes and considering the aforementioned stress scenarios and discussions held with the Supervisor of Banks as part of risk assessment processes, an internal target tier I equity ratio of at least 9.60%.

For more information see the 2024 Risks Report available on the Bank website.

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

Changes to Tier I equity by NIS 100 million would cause a change in Tier I capital adequacy ratio by 0.03%. Change in risk assets by NIS 1 billion would cause a change in Tier I capital adequacy ratio by 0.03%.

Changes to the risk-free interest curve would affect the capital reserve with respect to bonds available for sale, as well as the capital reserve from adjustments for actuarial changes, which are part of supervisory capital. Accordingly, a 1% increase in risk-free interest rate would affect supervisory capital by reduction of 0.01% in tier I equity ratio.

Israel's rating affects capital ratios, primarily with respect to exposure to Government of Israel, to Israeli banks, to institutional investors and to public sector entities. According to Bank policy, the effective rating is the one provided by S&P.

During 2024, the rating agency S&P downgraded the credit rating of the State of Israel from AA- to A with a negative outlook, with no impact on the Bank's capital ratios. In May 2025, the rating agency affirmed the rating and the rating outlook.

A further decline in the rating of the State of Israel will not impact the Bank's capital ratios. It is only in the event of a two-notch decline in rating that the Tier I capital ratio and the total capital ratio as of June 30, 2025 will decline by 0.18% and 0.23%, respectively.

For more information about the Board of Directors resolutions with regard to capital to risk components ratio and to dividend distribution policy, see Note 25 to the 2024 financial statements and the chapter "Analysis of composition of assets, liabilities, capital and capital adequacy" (Dividend) below.

For more information regarding the circular on revision of Proper Conduct of Banking Business Directive No. 203 regarding "Measurement and Capital Adequacy – Credit Risk—the Standardized Approach", and Directive No. 329 on "Limitations on Issuing Residential Mortgages", regarding steps to address the increase in the credit risk in the construction and real estate industries and the housing market, see Note 9 to the Financial Statements.

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

For more information see Note 9 to the financial statements.

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

		As of June 30 2025	As of December 31 2024
Capital for purpose of calculating the capital ratio			
Tier I shareholders' equity	33,591	30,252	31,963
Tier I capital	33,591	30,252	31,963
Tier II capital	9,158	9,289	9,097
Total capital	42,749	39,541	41,060
Weighted risk asset balances			
Credit risk	296,409	265,789	282,287
Market risks	2,245	1,820	1,675
Operational Risk	24,003	22,199	23,402
Total weighted risk asset balances	322,657	289,808	307,364

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

	June 30, 2025	June 30, 2024	December 31, 2024
Ratio of Tier I equity to risk components	10.41	10.44	10.40
Ratio of total capital to risk components	13.25	13.64	13.36
Minimum Tier I equity ratio required by Supervisor of Banks	9.60	9.60	9.60
Total minimum capital ratio required by the directives of the Supervisor of Banks	12.50	12.50	12.50

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

	As of June 30, 2025		As of June 30, 2024		As of December 31, 2024	
Exposure group	Weighted risk asset balances	Capital require- ment ⁽¹⁾	Weighted risk asset balances	Capital require- ment ⁽¹⁾	Weighted risk asset balances	Capital requirement ⁽¹⁾
Debts of sovereigns	1,840	230	1,273	159	1,466	183
Debts of public sector entities	800	100	922	115	944	118
Debts of banking corporations	2,945	368	2,585	323	2,483	310
Securities companies	2,224	278	3,046	381	3,294	412
Debts of corporations	110,592	13,824	92,520	11,565	101,300	12,663
Debts secured by commercial property	6,551	819	5,874	734	6,224	778
Retail exposures to individuals	21,770	2,721	21,304	2,663	21,648	2,706
Loans to small businesses	10,673	1,334	10,531	1,317	10,476	1,310
Residential mortgages	126,029	15,754	115,487	14,436	122,008	15,251
Other assets	11,703	1,463	10,810	1,351	11,023	1,378
Total	295,127	36,891	264,352	33,044	280,866	35,109

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

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

	As of June 30, 2025		As of June 30, 2024		As of December 31, 2024	
	Weighted risk asset balances	Capital require- ment ⁽¹⁾	Weighted risk asset balances	Capital require- ment ⁽¹⁾	Weighted risk asset balances	Capital requirement ⁽¹⁾
Market risk	2,245	281	1,820	227	1,675	209
CVA risk with respect to derivatives ⁽²⁾	1,282	160	1,437	180	1,421	178
Operational Risk ⁽³⁾	24,003	3,000	22,199	2,775	23,402	2,925
Total	27,530	3,441	25,456	3,182	26,498	3,312
Total risk assets	322,657	40,332	289,808	36,226	307,364	38,421

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

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

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

Leverage ratio

The Bank applies the rules in Proper Conduct of Banking Business Directive 218 with regard to leverage ratio, which adopts the Basel Committee recommendations with regard to leverage ratio, stipulated in January 2014.

The leverage ratio is reflected in percent, defined as the ratio of Tier I capital to total exposures. Total exposure for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items.

According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.

On November 15, 2020, the Supervisor of Banks issued a circular regarding "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)", updating Proper Conduct of Banking Business Directive 250, whereby the leverage ratio shall be at least 4.5% on a consolidated basis, compared to 5% prior to this change.

In the Supervisor of Banks' circular dated December 20, 2023, the effect of this relief was extended through December 31, 2025. A banking corporation applying this relief on this date would be required to achieve again the required leverage

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ratio prior to the temporary order within two quarters, such that when the temporary order expires, the banking corporation would be subject to a minimum leverage ratio based on the actual leverage ratio or the minimum ratio applicable to the banking corporation prior to the temporary order, whichever is lower.

For more information see Note 9 to the financial statements.

Below is the Bank's leverage ratio:

	As of		As of
	June 30	December 31	
	2025	2024	2024
Consolidated data			
Tier I capital	33,591	30,252	31,963
Total exposure	556,629	505,336	529,598
			In %
Leverage ratio	6.03	5.99	6.04
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Leverage ratio	7.87	6.90	7.45
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50

Dividends

Dividend distribution policy

It is the Bank's dividend policy to distribute dividends with respect to quarterly earnings, at up to 40% of net profit attributable to Bank shareholders, subject to Bank compliance with a ratio of Tier I capital to risk components as required by the Supervisor of Banks, and to maintaining appropriate safety margins. For further details regarding the Bank's current dividend policy and the Bank of Israel's letters, see the Dividend chapter in the 2024 Report of the Board of Directors and Management.

The new strategic plan for 2025-2027, which was approved on June 4, 2025, stipulates that the Board of Directors shall monitor the execution of the new strategic plan, in order to examine a potential increase of the dividend rate, up to 50% of net profit attributable to the Bank's shareholders, subject to the Bank's compliance with the Tier I capital to risk components ratio, as required under the Supervisor of Banks' directives, and to maintaining an appropriate safety buffer and subject to the Supervisor of Banks' approval. For further details see the "Business goals and strategy" chapter above.

Dividend distribution

Below is information about dividend distributions by the Bank since 2023 (in reported amounts):

Declaration date	Payment date	Dividends per share (Agorot)	Dividends as percent of profit (In %)	Total dividends paid (NIS in millions)
March 13, 2023	March 28, 2023	126.79	30	326.1
May 16, 2023	June 1, 2023	159.35	30	410.1
August 14, 2023	August 29, 2023	190.10	35	489.3
November 27, 2023	December 12, 2023	63.86	15	164.7
Total dividends distributed in 2023⁽¹⁾				1,390.2
March 11, 2024	March 28, 2024	81.11	20	209.4
May 22, 2024	June 6, 2024	196.99	40	508.8
August 14, 2024	August 29, 2024	224.83	40	580.8
November 20, 2024	December 5, 2024	220.56	40	570.0
Total dividends distributed in 2024⁽²⁾				1,869.0
February 26, 2025	March 13, 2025	201.57	40	522.4
May 20, 2025	June 8, 2025	198.97	40	516.0
Total dividends distributed in 2025⁽³⁾				1,038.4

(1) Total dividends distributed with respect to 2023 earnings – NIS 1273.5 million.

(2) Total dividends distributed with respect to 2024 earnings – NIS 2,182.0 million.

(3) Total dividends distributed with respect to 2025 earnings – NIS 516.0 million.

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Dividends declared

On August 13, 2025, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 726.5 million, constituting 50% of net profit in the second quarter of 2025; this resolution was made after assessing the Bank's capital planning under various scenarios, all further to the Bank's Board of Directors' resolution of June 4, 2025 regarding the new strategic plan as stated above.

The dividend amount constitutes 2794.88% of issued share capital, i.e. 279.49 agorot per NIS 0.1 par value share. The effective date for dividends payment is August 21, 2025 and the payment date is August 28, 2025. The final dividends per share is subject to changes due to realized convertible securities of the Bank.

Other off-balance sheet activity

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

	Change in % compared to				
	June 30	December 31	June 30	December 31	
	2025	2024	2024	2024	2024
Securities ⁽¹⁾	587,322	483,084	546,930	21.6	7.4
Assets of provident funds for which the Group provides operating services	206,316	161,797	187,465	27.5	10.1
Assets held in trust by Bank Group	144,208	117,853	127,086	22.4	13.5
Assets of mutual funds for which the Group provides operating services	12,276	9,551	11,268	28.5	8.9
Other assets under management ⁽²⁾	18,137	20,117	19,529	(9.8)	(7.1)

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

(2) Including:

- Loan balances secured by deposits whose repayment to the depositor is contingent upon collection of the loan balance. The Bank receives margin or commission revenues with respect to these balances.
- Other loans managed by the Bank, including residential mortgages managed and operated by the Bank on behalf of others.

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Financial information by operating segment

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

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

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

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

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

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

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

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

- Supervisory segment definition.
- Explanation of differences between "supervisory" definition and how business is actually managed (under "management approach").
- Segment financial results (under "supervisory approach").

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

For more information and detailed description of the segments, see chapter "Other information about the Bank and its management" of the 2024 annual report.

Financial information by supervisory operating segment

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

	Net profit		Percentage of total net profit	
	First half		First half	
	2025	2024	2025	2024
Private individuals:				
Households – residential mortgages	683	613	24.9	22.6
Households – other	589	533	21.5	19.6
Private banking	151	133	5.5	4.9
Total individuals	1,423	1,279	51.9	47.1
Business operations:				
Small and micro businesses	605	545	22.1	20.0
Medium businesses	202	169	7.4	6.2
Large businesses	435	458	15.9	16.8
Institutional investors	32	27	1.2	1.0
Total business activity	1,274	1,199	46.4	44.0
Financial management	(120)	118	(4.4)	4.3
Total activity in Israel	2,577	2,596	93.9	95.4
Overseas activity	166	128	6.1	4.7
Total	2,743	2,724	100.0	100.1

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

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Household Segment

Supervisory definition

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

Differences between management approach and supervisory definition

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

Operating results in the household segment

	For the six months ended June 30					
	2025			2024		
	NIS in millions					
	Other	Residential mortgages	Total	Other	Residential mortgages	Total
Profit and profitability						
Total interest revenues, net	1,925	1,401	3,326	1,863	1,381	3,244
Commissions and other revenues	358	66	424	319	61	380
Total revenues	2,283	1,467	3,750	2,182	1,442	3,624
Expenses due to credit losses	88	(37)	51	74	34	108
Operating and other expenses	1,113	420	1,533	1,119	419	1,538
Profit before provision for taxes	1,082	1,084	2,166	989	989	1,978
Provision for taxes	401	401	802	376	376	752
After-tax profit	681	683	1,364	613	613	1,226
Net profit:						
Attributable to non-controlling interests	(92)	-	(92)	(80)	-	(80)
Attributable to shareholders of the banking corporation	589	683	1,272	533	613	1,146
Balance sheet – key items:						
Loans to the public (end balance)	27,844	233,172	261,016	27,618	213,385	241,003
Loans to the public, net (end balance)	27,161	232,029	259,190	26,948	212,224	239,172
Deposits from the public (end balance)	134,900	-	134,900	135,282	-	135,282
Average balance of loans to the public	28,193	229,649	257,842	26,561	210,087	236,648
Average balance of deposits from the public	133,987	-	133,987	134,155	-	134,155
Average balance of risk assets	23,230	136,098	159,328	23,034	125,026	148,060
Credit spreads and deposit spreads:						
Margin from credit granting operations	462	1,167	1,629	498	1,185	1,683
Margin from activities of receiving deposits	1,422	-	1,422	1,333	-	1,333
Other	41	234	275	32	196	228
Total interest revenues, net	1,925	1,401	3,326	1,863	1,381	3,244

Net profit attributable to the household segment in the first half of 2025 amounted to NIS 1,254 million, compared to NIS 1,146 million in the corresponding period last year. The increase was primarily due to an increase in interest revenues, net and a decrease in expenses with respect to credit losses.

Net profit attributable to residential mortgage operations in the household segment in the first half of 2025 amounted to NIS 683 million, compared to NIS 613 million in the corresponding period last year. Interest revenues, net in the first half of 2025 amounted to NIS 1,401 million, compared to NIS 1,381 million in the corresponding period last year. Interest revenues increased largely due to continued increase in the volume of activity – a 9.3% increase in the average balance of the credit to the public compared to the corresponding period last year, and due to benefits given to Bank customers adversely affected by the war.

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Expenses with respect to credit losses decreased in comparison with the corresponding period last year, mainly as a result of a drop in expenses due to the collective provision.

Net profit attributable to household operations (other than residential mortgages) in the first half of 2025 amounted to NIS 589 million, compared to NIS 533 million in the corresponding period last year.

Net interest revenues amounted to NIS 1,923 million, compared to NIS 1,863 million in the corresponding period last year - a moderate increase, which was affected by the benefits given to Bank customers who were adversely affected by the war.

Expenses with respect to credit losses amounted to NIS 88 million in the first half of 2025, compared to NIS 74 million last year. The increase in the expenses is mainly due to an increase in expenses due to the collective provision.

Operating and other expenses amounted to NIS 1,113 million, compared to NIS 1,119 million in the corresponding period last year.

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

	For the three months ended June 30					
	2025			2024		
	NIS in millions					
	Other	Residential mortgages	Total	Other	Residential mortgages	Total
Profit and profitability						
Total interest revenues, net	956	717	1,673	963	720	1,683
Commissions and other revenues	184	27	211	160	31	191
Total revenues	1,140	744	1,884	1,123	751	1,874
Expenses due to credit losses	34	(3)	31	30	12	42
Operating and other expenses	543	214	757	559	217	776
Profit before provision for taxes	563	533	1,096	534	522	1,056
Provision for taxes	213	201	414	199	194	393
After-tax profit	350	332	682	335	328	663
Net profit:						
Attributable to non-controlling interests	(48)	-	(48)	(42)	-	(42)
Attributable to shareholders of the banking corporation	302	332	634	293	328	621
Balance sheet – key items:						
Loans to the public (end balance)	27,844	233,172	261,016	27,618	213,385	241,003
Loans to the public, net (end balance)	27,161	232,029	259,190	26,948	212,224	239,172
Deposits from the public (end balance)	134,900	-	134,900	135,282	-	135,282
Average balance of loans to the public	28,235	231,830	260,065	26,824	211,795	238,619
Average balance of deposits from the public	134,689	-	134,689	137,085	-	137,085
Average balance of risk assets	23,288	137,205	160,493	23,111	125,979	149,090
Credit spreads and deposit spreads:						
Margin from credit granting operations	227	602	829	254	596	850
Margin from activities of receiving deposits	711	-	711	688	-	688
Other	18	115	133	21	124	145
Total interest revenues, net	956	717	1,673	963	720	1,683

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Private Banking Segment

Supervisory definition

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

Differences between management approach and supervisory definition

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

Operating results in the private banking segment

	For the six months ended June 30		For the three months ended June 30	
	2025	2024	2025	2024
	NIS in millions			
Profit and profitability				
Total interest revenues, net	220	202	108	102
Commissions and other revenues	29	22	16	9
Total revenues	249	224	124	111
Operating and other expenses	9	9	4	5
Profit before provision for taxes	240	215	120	106
Provision for taxes	89	82	45	39
Net profit	151	133	75	67
Balance sheet – key items:				
Loans to the public (end balance)	146	119	146	119
Loans to the public, net (end balance)	145	119	145	119
Deposits from the public (end balance)	32,142	30,937	32,142	30,937
Average balance of loans to the public	137	121	142	122
Average balance of deposits from the public	31,554	29,867	32,097	29,833
Average balance of risk assets	105	14	114	15
Credit spreads and deposit spreads:				
Margin from credit granting operations	-	-	-	-
Margin from activities of receiving deposits	220	202	108	102
Other	-	-	-	-
Total interest revenues, net	220	202	108	102

Net profit attributable to the private banking segment in the first half of 2025 amounted to NIS 151 million, compared to NIS 133 million in the corresponding period last year. The increase is primarily due to an increase in the scope of activity. For more details and extensive information about results of this segment and operating results in conformity with management's approach - see Note 12 to the financial statements.

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Small and micro business segment

Supervisory definition

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

Differences between management approach and supervisory definition

- According to management approach, business customers with liquid assets in excess of NIS 8 million are assigned to the private banking segment. According to the supervisory segment approach, these customers are classified under small and micro business segment based on their annual business turnover.
- Business customers currently attributed to commercial banking using the management approach and whose annual turnover is lower than NIS 30 million, are classified to the micro and small business segment using the supervisory approach.

Operating results in the small and micro business segment

	For the six months ended June 30		For the three months ended June 30	
	2025	2024	2025	2024
	NIS in millions			
Profit and profitability				
Total interest revenues, net	1,278	1,284	626	644
Commissions and other revenues	302	290	154	153
Total revenues	1,580	1,574	780	797
Expenses due to credit losses	49	165	(24)	88
Operating and other expenses	566	516	291	265
Profit before provision for taxes	965	893	513	444
Provision for taxes	358	340	194	165
After-tax profit	607	553	319	279
Net profit attributed to non-controlling interests	(2)	(8)	2	(4)
Net profit attributable to shareholders of the banking corporation	605	545	321	275
Balance sheet – key items:				
Loans to the public (end balance)	36,243	35,290	36,243	35,290
Loans to the public, net (end balance)	34,941	33,857	34,941	33,857
Deposits from the public (end balance)	55,545	57,359	55,545	57,359
Average balance of loans to the public	38,761	33,307	37,893	32,738
Average balance of deposits from the public	57,980	56,113	56,421	54,555
Average balance of risk assets	33,436	32,035	33,900	31,937
Credit spreads and deposit spreads:				
Margin from credit granting operations	630	624	306	310
Margin from activities of receiving deposits	577	597	284	303
Other	71	63	36	31
Total interest revenues, net	1,278	1,284	626	644

Net profit attributable to the micro and small businesses segment in the first half of 2025 amounted to NIS 607 million, compared to NIS 545 million in the corresponding period last year. The increase arose mainly from a decrease in credit loss expenses which was offset against an increase in operational and other expenses.

Interest revenues, net in the first half of 2025 amounted to NIS 1,278 million, compared to NIS 1,284 million in the corresponding period last year.

Operational and other expenses in the first half of 2025 amounted to NIS 566 million, compared to NIS 516 million in the corresponding period last year.

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

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Medium business segment

Supervisory definition

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

Differences between management approach and supervisory definition

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

Operating results of medium business segment

	For the six months ended June 30		For the three months ended June 30	
	2025	2024	2025	2024
	NIS in millions			
Profit and profitability				
Total interest revenues, net	342	320	177	161
Commissions and other revenues	63	51	35	26
Total revenues	405	371	212	187
Expenses (reduction of expenses) with respect to credit losses	(2)	14	2	1
Operating and other expenses	86	84	43	43
Profit before provision for taxes	321	273	167	143
Provision for taxes	119	104	63	54
Net profit	202	169	104	89
Balance sheet – key items:				
Loans to the public (end balance)	16,949	12,422	16,949	12,422
Loans to the public, net (end balance)	16,690	12,189	16,690	12,189
Deposits from the public (end balance)	28,509	13,537	28,509	13,537
Average balance of loans to the public	14,671	12,504	15,728	12,477
Average balance of deposits from the public	20,802	14,366	23,690	14,251
Average balance of risk assets	16,940	14,966	17,353	14,939
Credit spreads and deposit spreads:				
Margin from credit granting operations	196	194	96	104
Margin from activities of receiving deposits	117	103	65	45
Other	29	23	16	12
Total interest revenues, net	342	320	177	161

Net profit attributable to the medium businesses segment in the first half of 2025 amounted to NIS 202 million, compared to NIS 169 million in the corresponding period last year. The increase arose from an increase in the volume of activity and from a decrease in expenses due to credit losses.

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

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Large business segment

Supervisory definition

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

Differences between management approach and supervisory definition

Institutional investors, which according to management approach are managed under business banking, are presented as a separate segment according to supervisory operating segments.

Operating results of large business segment

	For the six months ended June 30		For the three months ended June 30	
	2025	2024	2025	2024
	NIS in millions			
Profit and profitability				
Total interest revenues, net	694	657	350	358
Commissions and other revenues	144	149	83	77
Total revenues	838	806	433	435
Expenses (reduction of expenses) with respect to credit losses	11	(75)	21	(74)
Operating and other expenses	135	142	62	76
Profit before provision for taxes	692	739	350	433
Provision for taxes	257	281	133	162
Net profit	435	458	217	271
Balance sheet – key items:				
Loans to the public (end balance)	47,148	38,085	47,148	38,085
Loans to the public, net (end balance)	46,759	37,656	46,759	37,656
Deposits from the public (end balance)	41,303	38,961	41,303	38,961
Average balance of loans to the public	43,567	37,631	44,755	38,946
Average balance of deposits from the public	45,322	38,585	46,028	40,517
Average balance of risk assets	66,962	54,498	69,147	56,563
Credit spreads and deposit spreads:				
Margin from credit granting operations	487	460	245	245
Margin from activities of receiving deposits	100	122	50	68
Other	107	75	55	45
Total interest revenues, net	694	657	350	358

Net profit attributable to the large businesses segment in the first half of 2025 amounted to NIS 435 million, compared to NIS 458 million in the corresponding period last year. The decrease arose mainly from expenses due to credit losses.

Interest revenues, net in the first half of 2025 amounted to NIS 694 million, compared to NIS 657 million in the corresponding period last year. The increase was primarily due to an increase in the scope of activity.

In the first half of 2025, expenses due to credit losses amounted to NIS 11 million, compared to lower expenses amounting to NIS 75 million in the corresponding period last year. The increase arose mainly from an increase in expenses in respect of the collective provision.

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

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Institutional investors segment

Supervisory definition

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

Differences between management approach and supervisory definition

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

Operating results of institutional investors segment

	For the six months ended June 30		For the three months ended June 30	
	2025	2024	2025	2024
	NIS in millions			
Profit and profitability				
Total interest revenues, net	133	117	71	61
Commissions and other revenues	25	24	12	11
Total revenues	158	141	83	72
Expenses due to credit losses	9	6	8	3
Operating and other expenses	98	91	51	50
Profit before provision for taxes	51	44	24	19
Provision for taxes	19	17	9	7
Net profit	32	27	15	12
Balance sheet – key items:				
Loans to the public (end balance)	6,781	4,319	6,781	4,319
Loans to the public, net (end balance)	6,764	4,309	6,764	4,309
Deposits from the public (end balance)	108,247	83,480	108,247	83,480
Average balance of loans to the public	4,312	1,992	5,097	1,935
Average balance of deposits from the public	95,826	71,802	100,926	73,728
Average balance of risk assets	1,514	1,303	1,646	1,226
Credit spreads and deposit spreads:				
Margin from credit granting operations	15	22	8	11
Margin from activities of receiving deposits	116	94	61	49
Other	2	1	2	1
Total interest revenues, net	133	117	71	61

Net profit attributable to the institutional investors segment in the first half of 2025 amounted to NIS 32 million, compared to NIS 27 million in the corresponding period last year. The increase in total revenues arises from an increase in the scope of activity.

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

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Financial management segment

Supervisory definition

The financial management segment includes trading operations, asset and liability management and non-banking investments.

Trade operations – Investment in securities held for trading, market making operations for securities, operations involving derivatives not designated as hedges and which are not part of asset and liability management for the Bank, borrowing of securities for trading, short selling of securities, underwriting services for securities.

Asset and liability management – including investment in bonds available for sale and in bonds held to maturity, hedging using derivatives, ALM hedging, currency hedging of investments overseas.

Real investments – Investment in shares available for sale and in associated companies of businesses.

Other financial management operations – management, operation, trust and custody services for banks, sale and management of loan portfolios.

Differences between management approach and supervisory definition

According to management approach, institutional investors are managed under the financial management segment;

According to supervisory operating segments, they are presented as a separate segment.

Operating results of financial management segment

	For the six months ended June 30		For the three months ended June 30	
	2025	2024	2025	2024
	NIS in millions			
Profit and profitability				
Interest revenues (expenses), net	(461)	(243)	(95)	55
Non-interest financing revenues	185	371	43	26
Commissions and other revenues	256	231	138	118
Total revenues (expenses)	(20)	359	86	199
Expenses due to credit losses	1	1	1	1
Operating and other expenses	161	164	76	81
Profit (loss) before provision for taxes	(182)	194	9	117
Provision for taxes	(67)	74	2	44
After-tax profit (loss)	(115)	120	7	73
Share of banking corporation in earnings of associated companies	11	12	6	3
Net profit (loss) before attribution to non-controlling interests	(104)	132	13	76
Net profit (loss) attributed to non-controlling interests	(16)	(14)	(9)	(10)
Net profit (loss) attributable to shareholders of the banking corporation	(120)	118	4	66
Balance sheet – key items:				
Average balance of risk assets	22,438	19,410	23,060	20,413
Credit spreads and deposit spreads:				
Margin from credit granting operations	-	-	-	-
Margin from activities of receiving deposits	-	-	-	-
Other	(461)	(243)	(95)	55
Total interest revenues, net	(461)	(243)	(95)	55

The loss attributable to the financial management segment in the first half of 2025 amounted to NIS 120 million, compared to a NIS 118 million profit in the corresponding period last year.

Financing revenues amounted to a NIS 461 million expense, compared to a NIS 243 million expense in the corresponding period last year. The decrease arose mainly from the effect of the Consumer Price Index, which increased by 1.6% in the first half of 2025, compared to an increase of 1.9% in the corresponding period last year, and from the effect of accounting for derivatives at fair value.

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

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

Report of the Board of Directors and Management

As of June 30, 2025

Overseas activity

Supervisory definition

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

Differences between management approach and supervisory definition

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

Operating results overseas

	For the six months ended June 30		For the three months ended June 30	
	2025	2024	2025	2024
	NIS in millions			
Profit and profitability				
Total interest revenues, net	360	324	183	156
Commissions and other revenues	17	10	6	4
Total revenues	377	334	189	160
Expenses due to credit losses	40	65	17	48
Operating and other expenses	74	63	39	32
Profit before provision for taxes	263	206	133	80
Provision for taxes	97	78	50	29
Net profit	166	128	83	51
Balance sheet – key items:				
Loans to the public (end balance)	12,416	10,574	12,416	10,574
Loans to the public, net (end balance)	12,183	10,396	12,183	10,396
Deposits from the public (end balance)	16,748	14,023	16,748	14,023
Average balance of loans to the public	10,299	9,214	10,426	9,233
Average balance of deposits from the public	17,902	11,920	18,592	12,360
Average balance of risk assets	15,099	11,637	15,407	12,227
Credit spreads and deposit spreads:				
Margin from credit granting operations	202	184	98	76
Margin from activities of receiving deposits	73	53	39	28
Other	85	87	46	52
Total interest revenues, net	360	324	183	156

Net profit attributable to the overseas operations segment in the first half of 2025 amounted to NIS 166 million, compared to NIS 128 million in the corresponding period last year. The increase in profit is mainly due to an increase in the scope of activity.

Interest revenues, net in the first half of 2025 amounted to NIS 360 million, compared to NIS 324 million in the corresponding period last year.

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

Principal investee companies

The contribution of investees to net operating profit in the first half of 2025 amounted to NIS 235 million, compared with NIS 213 million in the corresponding period last year.

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

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

The Group's share of Bank Yahav's net profit in the first half of 2025 amounted to NIS 110 million, compared to NIS 102 million in the corresponding period last year. Bank Yahav's net profit return on equity in the first half of 2025 was 14.8% on annualized basis, compared to 17.0% in the corresponding period last year.

Bank Yahav's balance sheet total as of June 30, 2025 amounted to NIS 37,979 million, compared to NIS 37,615 million as of December 31, 2024 – an increase by NIS 364 million, or 1.0%. As of June 30, 2025, net loans to the public amounted to NIS 11,890 million, compared to NIS 11,956 million as of December 31, 2024 – a NIS 66 million decrease (0.6%). As of June 30, 2025, the balance of deposits from the public amounted to NIS 33,340 million, compared to NIS 32,973 million as of December 31, 2024 – a NIS 367 million decrease (1.1%).

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

Tefahot Insurance agency is an insurance agency wholly-owned by the Bank, engaged in sale of life insurance and property insurance policies to mortgage customers of the Bank. Net profit of Tefahot Insurance Agency in the first half of 2025 amounted to NIS 52 million, compared to NIS 39 million in the corresponding period last year.

Mizrahi Tefahot Leasing Ltd. (hereinafter: "Leasing")

Leasing is a company engaged in providing financial leasing services and extending loans to retail customers – car buyers.

Leasing's net profit in the first half of 2025 amounted to NIS 47 million, which is similar to the profit in the corresponding period last year.

Other investee companies operating in Israel

Other wholly-owned Bank investees, which operate in Israel and are supported by Bank infrastructure, contributed NIS 10 million to the Group's net profit in the first half of 2025 – an amount similar to the amount contributed in the corresponding period last year.

Investments in shares

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

Nostro investments and investments in investees are primarily carried out by Mizrahi Tefahot INVEST Ltd., an investment company wholly owned by the Bank, engaged in investment of funds and/or sale of interest in corporations, development, brokerage and advice on investments as well as operation and management of corporations.

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

Bank investments in shares as of June 30, 2025 amounted to NIS 1,400 million, compared to NIS 990 million and NIS 1,162 million as of June 30, 2024 and as of December 31, 2024, respectively. Bank net gain from investment in shares in the first half of 2025 amounted to NIS 105 million, compared to NIS 49 million in the corresponding period last year.

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

Risks overview

This chapter provides a concise overview and analysis of developments of key risks to which the Bank is exposed. This chapter should be read, as needed, in conjunction with the chapter "Risks overview" in the 2024 audited annual financial statements. A detailed Risks Management Report which includes disclosure requirements of Basel Pillar 3 and additional information about risks, provided based on recommendations by the Financial Stability Board (FSB) is provided on the Bank website.

Risk development and management

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 risks mapping at the Bank is regularly reviewed to ensure that it encompasses all risk associated with business operations at the Bank, and risk arising from market conditions and regulatory requirements.

The Bank's risk profile and risk assessment for the second quarter of 2025 remained unchanged compared to assessments published in the first quarter of 2025, except with regard to the increase - to medium-high - in information security and cyber risk, due to exogenous effects of the war with Iran, as elaborated below.

In the second quarter of 2025, the recovery in economic activity continued, but geopolitical uncertainty is still high. Israel continues to face high security tensions, mainly due to the conflict with Iran and the fighting in Gaza. In June, when Operation Rising Lion ended, a ceasefire was declared, but there is uncertainty as to whether it will stand over time.

During the quarter, there were no significant indications of an increase in risk levels compared to the previous quarter, and certain indicators even support the downgrading of the risk assessments, which increased upon the outbreak of the war in the fourth quarter of 2023. However, at this stage the risk assessments were not downgraded, since the Bank awaits for the security situation to stabilize due to uncertainty. The Bank will continue monitoring economic and geopolitical developments and will execute regular assessments of risk levels.

Risks description

A description of the various risks the Bank is exposed to within the framework of its activity, a description of the Bank's risk appetite and its risk management approach, the internal processes within the framework of management, including the use of extreme scenarios, are described in the Report of the Board of Directors and the Risk Report for 2024.

The following are changes that occurred over the course of the second quarter of 2025:

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.

A review of the Israeli banking system in 2024, which was published in May 2025, presented the system-wide results of a uniform stress scenario applied by the Bank of Israel during 2024, and which was based on December 2023 data. The results show that despite the adverse effect on the banking system's business results, the system maintains its stability even under a severe stress scenario. All banks maintained appropriate capital and leveraging ratios, including, among other things, due to their initial high capital ratios and a conservative dividend distribution policy during the war. The Bank's internal results reflect a similar picture.

In May 2025, the Bank submitted to the Bank of Israel the results of the stress scenario for 2025 based on December 2024 data. The scenario assumes that geopolitical conditions in Israel deteriorated and that the war continues in several fronts. Due to high levels of uncertainty, business activity and importation to and exportation from Israel are adversely affected to a significant extent. Economic activity in Israel is adversely affected, GDP contracts, unemployment rates rise and local financial markets suffer. Israel's risk premium continues to increase and its credit rating was downgraded again below investment grade, inflation has risen sharply and the Bank of Israel implements high interest-rate hikes. 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.

Risk factor severity

The Bank has put in place a framework for risk management and control in the Group, which includes the mapping of the material risks; for each risk, the Bank estimates its potential impact on business operations over the coming year.

The table below lists the risk factors and management assessments of the impact of each risk factor, on a scale of five risk levels: Low, Low-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 and this, based on risk indices, qualitative parameters and subjective assessments.

Furthermore, on a quarterly basis, in line with results of the Bank's annual ICAAP process, an up-to-date risk assessment is carried out for each of the risks in accordance with the actual risk profile, quantitative and qualitative indices, developments in the business environment and macroeconomic environment, and the existence of appropriate management and monitoring processes and emergency plans for dynamic, rapid response designed to minimize damage upon materialization of events. The up-to-date risk assessments are extensively discussed by Bank management and Board of Directors.

Set forth below is a mapping of the risk factors and their potential impact on the Bank Group:

Risk factor	Effect of the risk factor
Overall effect of credit risks ⁽¹⁾	Medium
Risk with respect to borrower and collateral quality	Medium-High
Risk from industry concentration ⁽¹⁾	Low-Medium
Risk with respect to concentration of borrowers / borrower groups	Low
Risk with respect to mortgage portfolio	Low-Medium
Overall effect of market risks ⁽²⁾	Low-Medium
Interest risk	Medium
Inflation risk	Low-Medium
Foreign currency risk	Low
Liquidity risk	Low-Medium
Overall effect of operational risk	Medium
Cyber and information security risk	Medium-High
Model risk	Low-Medium
IT risk	Medium
Legal risk	Low-Medium
Compliance and regulatory risks ⁽³⁾	Low-Medium
Reputational risk ⁽⁴⁾	Low
Strategic business risk ⁽⁵⁾	Low-Medium
Business and geopolitical environment risk ⁽⁶⁾	Medium-High

(1) Includes concentration in construction and real estate sector.

(2) Includes options and shares risk.

(3) Includes AML and terror financing risk and cross-border risk.

(4) The risk of impairment of the Bank's results due to negative reports about the Bank.

(5) The definition of strategic business risk includes the risk embodied in the capital planning and management process.

(6) Business and geopolitical environment risk - reflects exogenous risks arising from the business environment in which the Bank operates.

Developments in risk assessments for the second quarter of 2025:

1. Credit risk

In the second quarter of 2025, the recovery in economic activity in Israel continued. In this quarter too there were no indications that risk levels have increased compared to previous quarters. At this stage, despite the improvement in economic conditions, the risk level remains unchanged and reflects the uncertainty in connection with the stability of the security situation, the potential effect of the economic conditions, and the effects of interest rates and inflation on the business sector.

On July 1, 2025, a new deferral outline for households, businesses, and mortgages came into force targeting certain populations, which were adversely affected by Operation Rising Lion. It is noted that the balance of the loans, the repayment of which is still deferred due to the Iron Swords War, is very low in all credit segments, including in residential mortgages where most customers resumed normal repayment of their loans. The Bank tracks the resumption of repayment of all of the customers who deferred repayment, and takes steps involving customers, repayment of whose loans is still deferred, or who do not repay their loans in an orderly fashion.

A. Overall effect of credit risks

The overall level of credit risk remained Medium. The risk level for the quality of borrowers and collateral is slightly higher than previously, reflecting the economic and geopolitical uncertainty, and its impact on the borrowers' activity; this might affect the credit risk level. In the third quarter of 2023, due to the war the risk to borrower and collateral quality increased, due to economic deterioration due to the war and its potential impact on the state of borrowers and overall business activity. In June, Operation Rising Lion started, which lasted 12 days. During the operation, a special situation was declared in the home front, and various restrictions were placed on activities. When the operation ended, all restrictions were removed, and therefore there was no material effect on the credit portfolio and the risk assessment remained unchanged. The Bank closely monitors the potential effects and constantly reviews and measures and risk benchmarks and levels, adapting them as required to current business activity, subject to and in line with the risk appetite. Most customers resumed normal repayment of their loans; the Bank monitors resumption of repayments by all customers who postponed repayments, and takes steps to improve borrower repayment capacity and to reduce the risk level.

B. Credit risk in the construction and real estate sector

The assessment of the total impact of credit risks and sector concentration includes the risk assessment with respect to Bank exposure to the construction and real estate sector. The Bank is mostly focused in this sector on extending credit for construction using the financial support method (closed assistance). Most of the credit risk in the construction and real estate sector is backed by real estate fully pledged to secure loan repayment, and for credit not secured by real estate collateral, there is other collateral in place, such as: deposits, securities etc. The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank is approx. 17.2%.

The Bank tracks the development of the industry's risk characteristics and the effects of changes on Bank operations, including monitoring the portfolio and focusing on risk concentrations.

On April 6, 2025, the Supervisor of Banks published a revision of Proper Conduct of Banking Business Directive No. 203 regarding Measurement and Capital Adequacy – Credit Risk, and Proper Conduct of Banking Business Directive No. 329 regarding Limitations on Issuing Residential Mortgages. The circular designates an increased risk weight to credit used to finance projects with a high proportion of house sale contracts where a significant proportion of the sale consideration is paid on the house delivery date. Furthermore, it was decided to limit the proportion of bullet and balloon loans, which are subsidized by the developer paying the interest payments, such that those loans will not exceed 10% of total residential mortgages in the quarter. The Bank monitors the projects such that they comply with the restriction. For more information see Note 1 to the financial statements.

C. Credit risk in the residential mortgage portfolio

The risk level in the mortgages portfolio remains unchanged, at a low-medium level, against the backdrop of continued uncertainty as to the stability of the security situation, the economic conditions and their impact on economic activity, including the cumulative effect of interest and inflation rates and borrowers' coping with repayment capacity over time. The risk benchmarks in the current quarter did not indicate any material change in risk level. The Bank continues to monitor the developments and their impact of economic growth and activity. Most of the customers who deferred payments resumed normal payments, and the Bank deals in an orderly manner with customers who defer payments, including those who deferred payments under the Bank of Israel's outline in response to Operation Rising Lion.

2. Market and interest risks

The overall risk level of market and interest risk remained Low-Medium. Interest risk remained medium, and reflects the high 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.

3. Liquidity risk

Liquidity risk remained low-medium. The Bank closely monitors the potential changes in the situation. In practice, no events nor indications were observed which would indicate realization of a liquidity event. Over the course of the second quarter of 2025, the Bank maintained high liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. As of June 30, 2025, the average (consolidated) liquidity coverage ratio amounted to 135%. The net stable funding ratio (on consolidated basis) as of June 30, 2025 was 112% and there were no deviations from the risk appetite limitations of the Bank. The Bank maintains high surplus foreign currency, and closely manages its liquidity based on specified guidelines, including ongoing review of Bank compliance with systemic emergency scenarios.

4. Cyber and information security risk

Over the course of the second quarter of 2025, the assessment of information security and cyber risk levels increased to medium-high due to an increase in potential risk in view of the war with Iran. In view of the Israeli attack 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.

5. Model risk

Model risk may arise from making decisions or taking actions based on erroneous model outcome or on an expansive interpretation/misinterpretation of the model outcome, which may result in financial losses, erroneous strategic decisions 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 will come into effect in August 2025 with transitional provisions regarding the existing models. The Bank is prepared for the implementation of the directive.

6. IT risk

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

7. Legal risk

Legal risk remained Low-medium. In this quarter there were no unusual events which may impact Bank exposure. Legal risk is defined in Proper Conduct of Banking Business Directive 350 regarding "Operational risks" and includes absence of potential for legal enforcement of an agreement and includes, but is not limited to exposure to fines or penalties arising from supervisory action, as well as from individual arrangements. Legal risk also includes risks arising from legal exposure due to Bank conduct with its various stakeholders (such as: customers, suppliers and other third parties).

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

8. Compliance and regulatory risks

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, AML and terror financing risk. Moreover, 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.

9. Reputational risk

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

10. Strategic business risk

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, see the "Business goals and strategy" chapter.

11. Business and geopolitical environment risk

The business and geopolitical environment risk, which also includes the risk involving potential effects on anti-banking regulation, is assessed as medium-high and reflects 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.

For further details see the risk report for, 2024 published on the Bank's website.

Credit risk

Risk description and development thereof

Credit risk is the risk that a borrower or counter party of the Bank would not meet their obligations to the Bank. Credit risk is a material risk for Bank operations. This risk is affected by these major factors: Business risk due to customer activities, concentration risk due to over-exposure to a borrower or borrower group and to economic sectors, geographic concentration risk, risk due to exogenous changes which mostly involve changes to the borrower's macro-economic environment, environmental risks and climate risks, credit risks outside of Israel and operational risks which, should they materialize, would have implications for credit risks. This risk is also inter-related with some other risks, such as: market and interest risk, liquidity risk, compliance risk and other risks.

Credit is at the core of banking activity, and therefore this is the primary risk of all risk types addressed by the banking system. Consequently, the lion's share of capital allocated in Pillar 1 is due to credit risk.

The Bank monitors, inter alia through a dedicated forum headed by the CRO and attended by representatives of the various business lines, the changes in the Bank's total credit risk, and discusses the required changes in policy, and other actions as needed, following the changes.

As noted above, the overall level of credit risk remained Medium.

Analysis of developments in credit quality and problematic credit risk

Significant exposure to groups of borrowers

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

As of June 30, 2025, the Bank had no borrower group which meets the aforementioned criteria.

For more information about significant exposures to borrower groups, see chapter "Credit Risk" in the Report of the 2024 Report of the Board of Directors and Management.

Major borrowers

Below is the sector composition of the top 6 borrowers for the Group As of June 30, 2025 (NIS in millions):

Borrower no.	Economic sector	On-balance sheet credit risk ⁽¹⁾	Off-balance sheet credit risk ⁽¹⁾	Total credit risk ⁽¹⁾
1.	Financial services	1,220	916	2,136
2.	Financial services	2,088	7	2,095
3.	Civil engineering works	-	2,091	2,091
4.	Financial services	1,536	-	1,536
5.	Financial services	-	1,515	1,515
6.	Financial services	-	1,515	1,515

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

Leveraged financing

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

1. Credit for an equity transaction would be classified according to one of the following rules:

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

"Equity transaction": A transaction with one of the following goals:

- Buyout – purchase or buyback, by the borrower, of the borrower's issued capital (including an employees' stock purchase plan).
 - Acquisition of another corporation – the purchase of any capital rights in another corporation, or the purchase of all, or a significant share, of the assets of another corporation.
 - Capital distribution – the payment of dividends or another transaction whose goal is to increase shareholder value.
- An equity transaction, with regard to leveraged financing, is one where the loan balance exceeds 0.5% of Bank capital and where the LTV ratio exceeds 50%.

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

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

Credit for equity transactions (NIS in millions):

Economic sector of acquired company	June 30, 2025				June 30, 2024				December 31, 2024			
	On-balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	Individual provision for credit losses	On-balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	Individual provision for credit losses	On-balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	Individual provision for credit losses
Commerce	181	-	181	-	-	-	-	-	257	-	257	-
Mining and excavation	727	-	727	-	540	48	588	-	805	-	805	-
Financial services	402	-	402	-	-	-	-	-	666	-	666	-
Total	1,310	-	1,310	-	540	48	588	-	1,728	-	1,728	-

Credit to leveraged companies (NIS in millions):

Economic sector of borrower	June 30, 2025				June 30, 2024				December 31, 2024			
	On-balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	Individual provision for credit losses	On-balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	Individual provision for credit losses	On-balance sheet credit risk	Off-balance sheet credit risk	Total credit risk	Individual provision for credit losses
Construction and real estate	309	625	934	-	88	376	464	-	91	373	464	-
Commerce	-	-	-	-	180	4	184	-	168	4	172	-
Transport and storage	414	48	462	-	442	48	490	-	431	49	480	-
Total	723	673	1,396	-	710	428	1,138	-	690	426	1,116	-

Developments in problematic credit risk

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

	Total credit risk		
	June 30, 2025	June 30, 2024	December 31, 2024
Problematic credit risk:			
Non-accruing credit risk	3,983	3,848	4,304
Accruing problematic credit risk	1,314	1,832	1,630
Total problematic credit risk	5,297	5,680	5,934

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

	June 30, 2025	June 30, 2024	December 31, 2024
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.07	1.14	1.21
Non-accruing credit in arrears 90 days or longer as percentage of total non-residential loans to the public	1.24	1.37	1.64
Non-accruing credit in arrears 90 days or longer as percentage of total residential mortgages	0.96	1.00	0.95
Ratio of problematic loans to the public to total non-residential mortgages	1.99	2.67	2.65
Ratio of problematic credit risk to total credit risk with respect to the public	1.05	1.27	1.25

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

Analysis of change to non-accruing debts

Below is the movement in non-accruing debts (in millions of NIS):

	For the six months ended June 30, 2025				For the six months ended June 30, 2024				For the year ended December 31, 2024			
	Commer -cial	Residen -tial	Individ -ual	Total	Commer -cial	Reside n-tial	Individ -ual	Total	Commer -cial	Residen- tial	Individ- ual	Total
Non-accruing loans to the public – balance at start of period	2,019	2,141	83	4,243	1,466	2,153	74	3,693	1,466	2,153	74	3,693
Loans classified as non-accruing during the period	371	788	30	1,189	511	705	50	1,266	1,376	1,528	91	2,995
Loans resuming accrual of interest revenues during the period	(307)	(647)	(9)	(963)	(80)	(731)	(11)	(822)	(84)	(1,507)	(15)	(1,606)
Loans subject to accounting write-off	(203)	-	(18)	(221)	(159)	-	(14)	(173)	(341)	-	(42)	(383)
Loans repaid	(271)	(37)	(13)	(321)	(186)	-	(11)	(197)	(398)	(33)	(25)	(456)
Non-accruing debt balance at end of period	1,609	2,245	73	3,927	1,552	2,127	88	3,767	2,019	2,141	83	4,243

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

Report of the Board of Directors and Management

As of June 30, 2025

Analysis of provision for credit losses

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

	Provision for credit losses					
				Loans to the public	Banks, governments and bonds	Total
	Commer- cial	Housing	Individual – other	Total		
	For the three months ended June 30, 2025					
Balance of provision for credit losses at start of period	2,443	1,179	708	4,330	12	4,342
Expenses due to credit losses	24	(3)	34	55	1	56
Net accounting write-offs	(78)	-	(38)	(116)	-	(116)
Balance of provision for credit losses at end of period	2,389	1,176	704	4,269	13	4,282
	For the three months ended June 30, 2024					
Balance of provision for credit losses at start of period	2,437	1,171	702	4,310	11	4,321
Expenses due to credit losses	66	12	30	108	1	109
Net accounting write-offs	(26)	-	(41)	(67)	-	(67)
Balance of provision for credit losses at end of period	2,477	1,183	691	4,351	12	4,363
	For the six months ended June 30, 2025					
Balance of provision for credit losses at start of period	2,448	1,213	697	4,358	12	4,370
Expenses due to credit losses	107	(37)	88	158	1	159
Net accounting write-offs	(166)	-	(81)	(247)	-	(247)
Balance of provision for credit losses at end of period	2,389	1,176	704	4,269	13	4,282
	For the six months ended June 30, 2024					
Balance of provision for credit losses at start of period	2,419	1,149	702	4,270	11	4,281
Expenses due to credit losses	175	34	74	283	1	284
Net accounting write-offs	(117)	-	(85)	(202)	-	(202)
Balance of provision for credit losses at end of period	2,477	1,183	691	4,351	12	4,363

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

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

	June 30, 2025	June 30, 2024	December 31, 2024
Ratio of provision for credit losses to total loans to the public	1.12	1.27	1.20
Ratio of provision for credit losses to total credit risk with respect to the public	0.85	0.97	0.92

	Six months ⁽¹⁾		All of
	2025	2024	2024
Ratio of expenses with respect to credit losses to average balance of loans to the public, gross	0.09	0.17	0.15
Ratio of net write-offs to average balance of loans to the public, gross	0.13	0.12	0.12
Ratio of expenses with respect to credit losses to average balance of loans to the public, net	0.09	0.17	0.15
Of which: With respect to commercial loans other than residential mortgages	0.28	0.41	0.36
Of which: with respect to residential mortgages	(0.03)	0.03	0.03
Ratio of net write-offs to average balance of loans to the public, net	0.13	0.12	0.13

(1) Annualized.

Report of the Board of Directors and Management

As of June 30, 2025

Loans bearing variable interest

For more information about loans bearing variable interest for individuals, see "Credit risk to individuals" below.

For more information about residential mortgages bearing variable interest, see "Residential mortgages risk" below.

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

The individual customer segment is highly diversified – by number of customers and by geographic location. Most customers in this segment are salaried employees with an individual account or joint household account. A recession in non-banking operations is a major risk factor for household activity and higher unemployment may increase the number of customers who face difficulties.

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

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

The Bank regularly monitors the risk level in the credit portfolio for individuals using, *inter alia*, the internal credit rating model for individual customers, as well as through continuous monitoring and analysis of expenses with respect credit losses.

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

	As of June 30		As of December 31
	2025	2024	2024
Debts			
Current account balances	2,041	2,008	2,014
Utilized credit card balances	4,626	4,812	5,029
Auto loans – adjustable interest	1,281	1,728	1,516
Auto loans – fixed interest	4,946	4,579	4,725
Other loans and credit – variable interest	14,033	13,505	13,761
Other loans and credit – fixed interest	392	370	402
Total debt (on-balance sheet credit)	27,319	27,002	27,447
Un-utilized facilities, guarantees and other commitments			
Current accounts – un-utilized facilities	5,843	5,606	5,707
Credit cards – un-utilized facilities	10,332	9,430	9,697
Guarantees	305	293	290
Other liabilities	42	33	40
Total un-utilized facilities, guarantees and other commitments (off-balance sheet credit)	16,522	15,362	15,734
Total credit risk to individuals	43,841	42,364	43,181
Of which:			
Bullet / balloon loans ⁽³⁾	675	713	692
Financial asset portfolio and other collateral against credit risk⁽⁴⁾			
Financial assets portfolio:			
Deposits	4,178	4,219	4,314
Securities	301	223	264
Other monetary assets	100	150	127
Other collateral ⁽⁵⁾	3,465	3,758	3,396
Total financial assets portfolio and other collateral against credit risk	8,044	8,350	8,101

(1) As defined in Proper Conduct of Banking Business Directive 451.

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

(3) Loans with a grace period for principal longer than one year.

(4) Amounts presented are the financial assets portfolio and other collateral, only up to customer debt amount.

(5) Collateral is after applying the safety factor, in conformity with Bank factors accounted for when extending credit.

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Below is composition by size of borrower indebtedness⁽¹⁾:

		As of June 30, 2025		As of June 30, 2024		As of December 31, 2024	
Loan ceiling and credit risk (NIS in thousands)		Number of Borrowers	Total credit risk	Number of Borrowers	Total credit risk	Number of Borrowers	Total credit risk
	Up to 10	248,390	804	247,157	812	245,623	815
Above 10	Up to 20	115,939	1,711	114,433	1,682	115,942	1,723
Above 20	Up to 40	153,012	4,471	150,417	4,373	151,659	4,456
Above 40	Up to 80	166,118	9,538	163,346	9,333	164,079	9,442
Above 80	Up to 150	107,849	11,704	105,085	11,324	105,678	11,477
Above 150	Up to 300	58,346	11,950	56,716	11,612	58,151	11,933
Above 300		9,437	3,663	8,321	3,228	8,557	3,335
Total		859,091	43,841	845,475	42,364	849,689	43,181

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

Composition of on-balance sheet credit by regular income⁽¹⁾ in account:

		As of June 30, 2025		As of June 30, 2024		As of December 31, 2024	
Income		NIS in millions	in %	NIS in millions	in %	NIS in millions	in %
Accounts with no fixed income for the account ⁽²⁾		7,253	26.5	7,256	26.9	7,301	26.6
Less than NIS 10 thousand		3,171	11.6	3,459	12.8	3,372	12.3
Between NIS 10 thousand and NIS 20 thousand		7,917	29.0	8,002	29.6	7,950	29.0
Over NIS 20 thousand		8,978	32.9	8,285	30.7	8,824	32.1
Total		27,319	100	27,002	100	27,447	100

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

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

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

		As of June 30, 2025		As of June 30, 2024		As of December 31, 2024	
Term to maturity		NIS in millions	in %	NIS in millions	in %	NIS in millions	in %
Up to 1 year		4,169	20.2	4,116	20.4	4,177	20.5
Over 1 year to 3 years		6,463	31.3	6,176	30.6	6,315	30.9
Over 3 years to 5 years		4,896	23.7	5,078	25.2	4,958	24.3
Over 5 years to 7 years		2,301	11.1	2,188	10.8	2,245	11.0
Over 7 years ⁽²⁾		2,823	13.7	2,624	13.0	2,709	13.3
Total		20,652	100	20,182	100	20,404	100

(1) Excluding utilized current account balances in credit card.

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

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

	As of June 30, 2025			As of June 30, 2024			As of December 31, 2024		
	Credit risk ⁽¹⁾			Credit risk ⁽¹⁾			Credit risk ⁽¹⁾		
	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:
Balance of problematic credit risk	272	3	275	250	6	256	272	2	274
Problematic credit risk rate ⁽²⁾	1.00%	0.02%	0.63%	0.93%	0.04%	0.60%	0.99%	0.01%	0.63%

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

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

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

	First half		2024
	2025	2024	
Expense with respect to credit losses as percentage of total loans to the public to individuals	0.64%	0.55%	0.51%

Data for credit risk to individuals show that:

- Total debts by individuals (on-balance sheet credit) increased by 1.2% compared to June 30, 2024 and decreased by 0.47% compared to December 31, 2024.
- Composition of debts as of June 30, 2025 is as follows:
 - Checking accounts - 7.5%
 - Credit cards - 16.9%
 - Auto loans - 22.8%
 - Other loans and credit - 52.8%
- Of all debts (on-balance sheet credit) as of June 30, 2025, 29.4% is secured by financial assets and other collateral in the customer's account (compared to 30.9% as of June 30, 2024 and 29.5% as of December 31, 2024).

Credit risk in construction and real estate economic sector in Israel

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

Total housing construction starts in the 12 months from April 2024 to March 2025 were 68 thousand residential units, a 6% increase compared to the corresponding period in the previous year. Residential housing construction completions decreased by 14.4%, at 53 thousand residential units. In May 2025, the new apartments inventory stood at approx. 81 thousand apartments; as from April 2022, there has been a 1.5% average monthly increase in this line item. Approx. 56% of unsold apartments are located in Tel Aviv and the Central region.

As from 2024, the percentage of sale contracts based on non-linear payment methods out of total sale contracts of new apartments has increased as part of a marketing technique, which enables contractors to sell the apartments in a complex period against the backdrop of the war and high interest rates. This issue is assessed as part of the projects' underwriting process and during the monitoring of the projects approved by the Bank, including an assessment of the effects of those contracts on the project's financing costs. In addition, the Bank verifies that the supervisors take into account the scope of the contracts and their effects on financing costs. The project's cash flow and the need to revise the budgetary framework are monitored closely, and the Bank also closely monitors the development of the risk characteristics arising from this segment. In view of the above, on April 6, 2025, the Supervisor of Banks published a circular on revision of Proper Conduct of Banking Business Directive No. 203 regarding "Measurement and Capital Adequacy – Credit Risk—the Standardized Approach", and Directive No. 329 on "Limitations on Issuing Residential Mortgages". The circular designates an increased risk weight to credit used to finance projects with a high proportion of house sale contracts where a significant proportion of the sale consideration is paid on the house delivery date. Furthermore, it was decided to limit the proportion of bullet and balloon loans, which are subsidized by the developer paying the interest payments, such that those loans will not exceed 10% of total residential mortgages. The directive is effective through December 31, 2026 and the Bank monitors the projects such that they comply with the restriction. For more information see Note 1 to the financial statements.

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On June 13, 2025, Operation Rising Lion started, which lasted 12 days. During the operation, a special situation was declared in the home front, and various restrictions were placed on activities. When the operation ended, all restrictions were removed, and therefore - at this stage - there was no material effect on the credit portfolio and the risk assessment remained unchanged. However, during the operation, work in most sites was discontinued and there was a significant slowdown in sales.

The missile strikes in population centers highlighted the risk in old buildings without safe rooms, and the key effects may include the following: Increase in rent in the center of Israel in general and in missile-strike sites in particular, and increase in demand for urban renewal (tenants living in old buildings without safe rooms will want to accelerate the construction of the new buildings and will increase pressure on the authorities and demand the approval of raze and rebuild projects), prioritizing planning and bureaucratic processes in order to accelerate processes in damaged areas, and the government's functioning as a developer in extraordinary cases in order to reduce compensation to tenants. In addition, rethinking and reassessment of shielding might give rise to new safe-room requirements and standards, and consequently construction inputs may increase.

In the past two and a half years there has been a slowdown in demand in the office space segment in view, among other things, of the slowdown in the high-tech sector, which is a major user of office space; this resulted in a shift and a decline in rent and occupancy rates in this segment (which are more prominent in the suburbs of Tel Aviv and Gush Dan), which may intensify as demand increases.

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

The Bank regularly monitors the credit portfolio and risk characteristics of activity in this area, as well as new credit provided, in conformity with benchmarks stipulated in Bank policy.

Over the course of the second quarter of 2025, total exposure to the construction and real estate sectors increased by 5.8%, due to increased project volumes and a certain increase in developers' financing needs during the project. The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank as of June 30, 2025, as presented below (Credit Risk by Economic Sector) is 17.2%; it is noted that in accordance with Proper Conduct of Banking Business Directive 315, the rate of indebtedness of the construction and real estate sector (for calculation of sector concentration) is 12.8% (excluding liabilities, including contingent liabilities to extend credit or to provide guarantees and amounts of housing bonds and loans to finance land, in respect of which the Bank has purchased insurance policies). The Bank reviews in each quarter the calculation of the group-based provision for credit losses in this sector, and adjusts this provision so as to account, inter alia, for growth in the loan portfolio and the underwriting conditions.

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As of June 30, 2025

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

	June 30, 2025							
	Credit risk to the public ⁽¹⁾							Balance of provision for credit losses
	Credit risk	Total problematic credit risk		On-balance sheet credit risk		Off-balance sheet credit risk		
	On balance sheet ⁽²⁾	Guarantees to home buyers ⁽⁵⁾	Off balance sheet ⁽³⁾ Facilities and other commitments	Of which:	Non-accruing	Other problematic ⁽⁴⁾	On-balance sheet credit risk	Off-balance sheet credit risk
Secured by real estate:								
Housing	26,952	6,549	19,249	52,750	149	77	238	29
Commercial and industrial	11,289	210	2,698	14,197	83	99	158	4
Total secured by real estate	38,241	6,759	21,947	66,947	232	176	396	33
Not secured by real estate	7,865	9	9,515	17,389	94	141	185	19
Total for construction and real estate economic sector in Israel	46,106	6,768	31,462	84,336	326	317	581	52
Of which: Designated for project assistance	27,104	6,738	19,253	53,095	147	72	39	29

	June 30, 2024							
	Credit risk to the public ⁽¹⁾							Balance of provision for credit losses
	Credit risk	Total problematic credit risk		On-balance sheet credit risk		Off-balance sheet credit risk		
	On balance sheet ⁽²⁾	Guarantees to home buyers ⁽⁵⁾	Off balance sheet ⁽³⁾ Facilities and other commitments	Of which:	Non-accruing	Other problematic ⁽⁴⁾	On-balance sheet credit risk	Off-balance sheet credit risk
Secured by real estate:								
Housing	23,183	6,065	15,084	44,332	199	223	197	24
Commercial and industrial	9,826	164	2,306	12,296	117	107	153	4
Total secured by real estate	33,009	6,229	17,390	56,628	316	330	350	28
Not secured by real estate	7,037	51	7,281	14,369	114	75	192	24
Total for construction and real estate economic sector in Israel	40,046	6,280	24,671	70,997	430	405	542	52
Of which: Designated for project assistance	22,672	6,248	14,930	43,850	188	264	121	24

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As of June 30, 2025

	December 31, 2024							
	Credit risk to the public ⁽¹⁾							
	Credit risk					Total problematic credit risk	Balance of provision for credit losses	
	On balance sheet ⁽²⁾	Guarantees to home buyers ⁽⁵⁾	Off balance sheet ⁽³⁾	Of which: facilities and other commitments	Non-accruing	Other problematic ⁽⁴⁾	On-balance sheet credit risk	Off-balance sheet credit risk
Secured by real estate:								
Housing	23,716	6,768	18,193	48,677	342	47	219	24
Commercial and industrial	10,555	200	2,226	12,981	152	118	165	3
Total secured by real estate	34,271	6,968	20,419	61,658	494	165	384	27
Not secured by real estate	7,263	8	7,590	14,861	100	178	179	19
Total for construction and real estate economic sector in Israel	41,534	6,976	28,009	76,519	594	343	563	46
Of which: Designated for project assistance	23,400	6,948	17,956	48,304	359	94	44	24

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

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

	June 30, 2025			June 30, 2024			December 31, 2024		
	Credit risk ⁽¹⁾			Credit risk ⁽¹⁾			Credit risk ⁽¹⁾		
	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:
Secured by real estate									
Real estate yet to be completely constructed:									
Raw land	17,179	1,463	18,642	15,313	1,018	16,331	15,156	1,319	16,475
Real estate under construction	11,795	24,256	36,051	8,996	20,738	29,734	9,992	23,458	33,450
Real estate completely constructed	9,267	2,987	12,254	8,700	1,863	10,563	9,123	2,610	11,733
Total credit secured by real estate in Israel	38,241	28,706	66,947	33,009	23,619	56,628	34,271	27,387	61,658
Not secured by real estate	7,865	9,524	17,389	7,037	7,332	14,369	7,263	7,598	14,861
Total credit risk for construction and real estate	46,106	38,230	84,336	40,046	30,951	70,997	41,534	34,985	76,519

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

	June 30 2025	December 31 2024	Change
	Credit risk to the public ⁽¹⁾		
Credit risk at performing credit rating:			
Total non-problematic credit risk	80,949	73,152	10.7%
Credit risk other than at performing credit rating:			
Problematic accruing	317	343	(7.6%)
Problematic non-accruing	326	594	(45.1%)
Non-problematic	2,744	2,430	12.9%
Total credit risk other than at performing credit rating	3,387	3,367	0.6%
Total credit risk for construction and real estate	84,336	76,519	10.2%

- (1) On- and off-balance sheet credit risk, problematic credit risk and non-accruing loans to the public are stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower.

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Credit risk by economic sector

As of June 30, 2025

Reported amounts (NIS in millions)

	Total credit risk ⁽¹⁾				Off balance sheet debts ⁽²⁾ and credit risk (other than derivatives) ⁽³⁾						
	Of which:				Credit losses ⁽³⁾						
	Credit in good standing other than at										
	Credit performance										
	Total	rating ⁽⁴⁾	credit rating	Problematic ⁽⁵⁾	Total Debts ⁽²⁾	Problematic ⁽⁵⁾	Non-accruing	Expenses with respect to credit losses	Net with accounting write-offs	Balance of provision for credit losses	
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,196	1,114	55	27	1,196	850	27	19	(6)	-	26
Mining and excavation	4,892	4,886	6	-	4,767	3,347	-	-	11	-	44
Industry and production	15,719	14,533	707	479	15,494	9,006	479	214	(7)	56	419
Of which: Diamonds	1,361	1,111	37	213	1,361	882	213	90	(9)	36	74
Construction and real estate – construction ⁽⁶⁾	72,337	69,326	2,535	476	72,200	35,450	476	257	27	3	406
Construction and real estate – real estate operations	11,999	11,623	209	167	11,624	10,171	162	64	(1)	(1)	227
Electricity and water delivery	12,204	12,155	39	10	11,841	6,828	10	7	2	1	130
Commerce	18,640	17,498	609	533	18,460	13,783	533	296	3	20	435
Hotels, dining and food services	2,711	2,443	89	179	2,706	1,912	179	65	-	6	109
Transport and storage	5,276	4,151	1,058	67	5,270	3,187	67	46	11	10	86
Information and communications	2,058	2,015	31	12	1,970	1,171	12	5	(2)	(2)	26
Financial services	36,125	36,008	111	6	33,394	17,560	6	2	(8)	(1)	38
Other business services	8,012	7,719	123	170	7,991	4,976	170	106	19	29	176
Public and community services	3,989	3,735	135	119	3,989	3,152	119	104	8	11	77
Total commercial	195,158	187,206	5,707	2,245	190,902	111,393	2,240	1,185	57	132	2,199
Private individuals – residential mortgages	251,639	246,233	3,161	2,245	251,639	233,171	2,245	2,245	(37)	-	1,176
Private individuals – other	43,847	43,214	358	275	43,841	27,319	275	73	88	81	704
Total public – activity in Israel	490,644	476,653	9,226	4,765	486,382	371,883	4,760	3,503	108	213	4,079
Banks in Israel	3,970	3,970	-	-	393	393	-	-	-	-	-
Government of Israel	26,609	26,609	-	-	-	-	-	-	-	-	-
Total activity in Israel	521,223	507,232	9,226	4,765	486,775	372,276	4,760	3,503	108	213	4,079
Borrower activity overseas											
Total public – activity overseas	11,600	11,068	-	532	11,415	8,816	521	464	50	34	198
Overseas banks	22,942	22,942	-	-	22,868	22,822	-	-	1	-	4
Overseas governments	10,607	10,607	-	-	427	300	-	-	-	-	1
Total activity overseas	45,149	44,617	532	532	34,710	31,938	521	464	51	34	203
Total	566,372	551,849	9,226	5,297	521,485	404,214	5,281	3,967	159	247	4,282

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts⁽²⁾ – 404,214; bonds – 38,679; securities borrowed or acquired in conjunction with resale agreements – 473; (on- and off-balance sheet) credit risk with respect to derivatives – 5,735; and credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 117,271.

(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 849 million and off-balance sheet credit risk amounting to NIS 940 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.

Report of the Board of Directors and Management

As of June 30, 2025

Credit risk by economic sector – Continued

As of June 30, 2024

Reported amounts (NIS in millions)

	Total credit risk ⁽¹⁾				Off balance sheet debts ⁽²⁾ and credit risk (other than derivatives) ⁽³⁾						
	Of which:				Credit losses ⁽³⁾						
	Total	Credit performance rating ⁽⁴⁾	Credit in good standing other than at performing credit rating	Problematic ⁽⁵⁾	Total	Debt ⁽²⁾	Problematic ⁽⁵⁾	Non-accruing	Expenses with respect to credit losses	Net account –ting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,119	1,022	74	23	1,118	824	23	18	5	6	31
Mining and excavation	2,174	2,163	1	10	2,034	657	9	6	(1)	-	17
Industry and production	16,845	15,703	592	550	16,563	9,909	540	176	18	(18)	479
Of which: Diamonds	1,731	1,440	145	146	1,731	1,212	146	64	-	(3)	93
Construction and real estate – construction ⁽⁶⁾	60,285	57,335	2,263	687	60,179	30,296	687	336	34	15	415
Construction and real estate – real estate operations	10,712	10,326	238	148	10,300	9,240	148	94	(46)	-	179
Electricity and water delivery	13,111	12,962	129	20	12,766	7,274	20	9	27	-	115
Commerce	16,029	14,578	648	803	15,931	11,440	803	238	23	67	476
Hotels, dining and food services	2,233	1,953	76	204	2,230	1,683	204	75	23	5	164
Transport and storage	3,615	2,953	589	73	3,586	2,901	73	32	7	4	87
Information and communications	1,840	1,728	91	21	1,727	1,041	21	17	5	3	32
Financial services	25,528	25,271	245	12	19,742	11,239	12	7	1	10	35
Other business services	8,244	7,870	195	179	8,224	5,238	179	93	33	12	216
Public and community services	3,090	2,893	46	151	3,084	2,342	151	140	(7)	3	103
Total commercial	164,825	156,757	5,187	2,881	157,484	94,084	2,870	1,241	122	107	2,349
Private individuals – residential mortgages	229,640	224,708	2,805	2,127	229,640	213,381	2,127	2,127	34	-	1,183
Private individuals – other	42,369	41,731	382	256	42,364	27,002	256	89	74	85	691
Total public – activity in Israel	436,834	423,196	8,374	5,264	429,488	334,467	5,253	3,457	230	192	4,223
Banks in Israel	2,050	2,050	-	-	594	594	-	-	-	-	-
Government of Israel	21,587	21,587	-	-	3	3	-	-	-	-	-
Total activity in Israel	460,471	446,833	8,374	5,264	430,085	335,064	5,253	3,457	230	192	4,223
Borrower activity overseas											
Total public – activity overseas	10,197	9,518	263	416	9,936	7,345	409	373	53	10	136
Overseas banks	25,774	25,774	-	-	25,612	25,419	-	-	1	-	3
Overseas governments	1,408	1,407	-	1	530	397	1	1	-	-	1
Total activity overseas	37,379	36,699	263	417	36,078	33,161	410	374	54	10	140
Total	497,850	483,532	8,637	5,681	466,163	368,225	5,663	3,831	284	202	4,363

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts⁽²⁾ – 368,225; bonds – 24,625; securities borrowed or acquired in conjunction with resale agreements – 280; (on- and off-balance sheet) credit risk with respect to derivatives – 6,782; and credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 97,938.

(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 918 million and off-balance sheet credit risk amounting to NIS 1,186 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.

Report of the Board of Directors and Management

As of June 30, 2025

Credit risk by economic sector – Continued

As of December 31, 2024

Reported amounts (NIS in millions)

	Total credit risk ⁽¹⁾				Off balance sheet debts ⁽²⁾ and credit risk (other than derivatives) ⁽³⁾						
	Of which:				Credit losses ⁽³⁾						
			Credit in good standing other than at performing credit rating	Problematic ⁽⁵⁾		Problematic ⁽⁵⁾	Non-accruing	Expenses with account respect to credit losses	Net write-offs	Balance of provision for credit losses	
	Total	Performance rating ⁽⁴⁾	Problematic rating	Problematic ⁽⁵⁾	Total Debts ⁽²⁾	Problematic ⁽⁵⁾	Non-accruing	Expenses with account respect to credit losses	Net write-offs	Balance of provision for credit losses	
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,408	1,307	75	26	1,408	1,103	26	20	7	32	
Mining and excavation	4,888	4,880	-	8	4,753	2,771	8	6	-	33	
Industry and production	15,542	14,444	549	549	15,350	8,587	545	211	(21)	482	
Of which: Diamonds	1,608	1,319	49	240	1,608	1,113	240	99	-	119	
Construction and real estate – construction ⁽⁶⁾	64,807	61,746	2,300	761	64,684	31,310	761	483	13	382	
Construction and real estate – real estate operations	11,712	11,406	130	176	11,293	9,688	176	111	-	227	
Electricity and water delivery	12,356	12,305	41	10	12,002	7,114	10	7	3	129	
Commerce	17,514	16,137	641	736	17,383	13,158	736	335	74	452	
Hotels, dining and food services	2,216	1,958	86	172	2,211	1,681	62	1	32	115	
Transport and storage	3,757	3,132	551	74	3,728	2,975	74	32	15	85	
Information and communications	1,820	1,714	89	17	1,717	950	17	12	11	26	
Financial services	32,901	32,640	225	36	27,168	14,878	36	7	11	45	
Other business services	8,181	7,651	343	187	8,162	5,187	187	100	25	186	
Public and community services	3,378	3,166	66	146	3,375	2,575	146	(23)	10	80	
Total commercial	180,480	172,486	5,096	2,898	173,234	101,977	2,894	1,512	194	2,274	
Private individuals – residential mortgages	242,069	236,827	3,101	2,141	242,069	225,291	2,141	2,141	-	1,213	
Private individuals – other	43,186	42,530	382	274	43,181	27,447	274	83	144	697	
Total public – activity in Israel	465,735	451,843	8,579	5,313	458,484	354,715	5,309	3,736	338	4,184	
Banks in Israel	1,724	1,724	-	-	303	303	-	-	-	-	
Government of Israel	23,511	23,511	-	-	2	2	-	-	-	-	
Total activity in Israel	490,970	477,078	8,579	5,313	458,789	355,020	5,309	3,736	338	4,184	
Borrower activity overseas											
Total public – activity overseas	10,344	9,723	-	621	10,071	7,379	617	560	92	182	
Overseas banks	23,812	23,812	-	-	23,674	23,639	-	-	-	3	
Overseas governments	2,400	2,399	-	1	439	317	1	1	-	1	
Total activity overseas	36,556	35,934	-	622	34,184	31,335	618	561	92	186	
Total	527,526	513,012	8,579	5,935	492,973	386,355	5,927	4,297	430	4,370	

- (1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts⁽²⁾ – 386,355; bonds – 27,593; securities borrowed or acquired in conjunction with resale agreements – 264; (on- and off-balance sheet) credit risk with respect to derivatives – 6,696; and credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 106,618.
- (2) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements.
- (3) Includes with respect to off-balance sheet credit instruments (included on balance sheet under Other Liabilities).
- (4) Credit risk whose credit rating as of the report date matches the credit rating for new credit performance, in conformity with Bank policies.
- (5) On- and off-balance sheet credit risk, which is non-accruing, inferior or under special supervision.
- (6) Includes on-balance sheet credit risk amounting to NIS 1,019 million and off-balance sheet credit risk amounting to NIS 1,098 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.

Report of the Board of Directors and Management

As of June 30, 2025

Exposure to foreign countries⁽¹⁾

Reported amounts (NIS in millions)

Part A – Information regarding total exposure to foreign countries and exposure to countries for which total exposure to each country exceeds 1% of total consolidated assets or 20% of capital, whichever is lower (NIS in millions):

Country	June 30, 2025			June 30, 2024			December 31, 2024		
	Exposure			Exposure			Exposure		
	On balance sheet ⁽²⁾	Off-balance sheet ⁽²⁾⁽³⁾⁽⁴⁾	Total	On balance sheet ⁽²⁾	Off-balance sheet ⁽²⁾⁽³⁾⁽⁴⁾	Total	On balance sheet ⁽²⁾	Off-balance sheet ⁽²⁾⁽³⁾⁽⁴⁾	Total
USA	42,534	2,957	45,491	32,792	2,116	34,908	33,238	1,901	35,139
Barbados ⁽⁵⁾	-	-	-	5,126	-	5,126	4,857	-	4,857
Others ⁽⁶⁾	15,492	11,398	26,890	11,764	11,364	23,128	10,478	11,599	22,077
Total exposure to foreign countries	58,026	14,355	72,381	49,682	13,480	63,162	48,573	13,500	62,073
Of which: To Greece, Portugal, Spain, Italy	102	12	114	55	11	66	54	12	66
Of which: Total exposure to LDC countries	722	173	895	794	197	991	580	110	690

(1) Based on final risk, after effect of guarantees, liquid collateral and credit derivatives.

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

(3) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits, in conformity with Proper Conduct of Banking Business Directive 313.

(4) The balance of off-balance sheet exposure includes NIS 6,959 million, mostly with respect to acquiring insurance from international reinsurers for the portfolio of housing bonds for borrowers in the real estate sector in Israel. (as of June 30, 2024: NIS 7,562 million and as of December 31, 2024: NIS 7,744 million).

(5) This exposure is with respect to insurance policies backing the mortgage portfolios in Israel. The insurer, incorporated in Barbados, is a subsidiary of an international insurance group incorporated in Canada. As of June 30, 2025, the exposure to Barbados in respect of this insurance policy declined below the threshold required for a separate disclosure in a note.

(6) Balance sheet exposure includes NIS 3,660 million with respect to acquiring insurance from international reinsurers for the loan portfolio to finance land purchase for borrowers in the real estate sector in Israel. (as of June 30, 2024: NIS 3,393 million and as of December 31, 2024: NIS 3,408 million).

Part B – Information regarding countries for which total exposure to each country is between 0.75%-1% of total consolidated assets or between 15%-20% of capital, whichever is lower (NIS in millions):

As of June 30, 2025, the balance sheet exposure to Barbados meets the threshold required for this disclosure and amounts to NIS 4.5 billion.

As of June 30, 2024 and December 31, 2024, there are no foreign countries for which the balance sheet exposure exceeds the threshold for this disclosure.

Part C – Information regarding balance sheet exposure to foreign countries facing liquidity issues⁽²⁾

	For the six months ended June 30, 2024	For the year ended December 31, 2024
	Barbados ⁽¹⁾	Barbados ⁽¹⁾
Exposure at start of reported period	5,353	5,353
Net changes to exposure	(227)	(496)
Exposure at end of reported period	5,126	4,857

In conformity with Bank of Israel directives, a country which has received aid from the International Monetary Fund is deemed a country with liquidity issues. The aforementioned exposure is to an insurer that backs mortgage portfolios, and liquidity in the country should not affect the repayment capacity in case of future claims by the Bank.

(1) This exposure is with respect to insurance policies backing the mortgage portfolios in Israel. The insurer, incorporated in Barbados, is a subsidiary of an international insurance group incorporated in Canada.

(2) As of June 30, 2025, the Bank had no exposure to foreign countries facing liquidity issues where the exposure with respect of which exceeds the reporting threshold set in the Public Reporting Directives.

Report of the Board of Directors and Management

As of June 30, 2025

Credit exposure to foreign financial institutions

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

External credit rating	On-balance sheet credit risk ⁽³⁾	Current off-balance sheet credit risk ⁽⁴⁾	Current credit exposure
			June 30, 2025
AAA to AA-	6,546	4,843	11,389
A+ to A-	3,084	4,250	7,334
BBB+ to BBB-	-	-	-
BB+ to B-	-	-	-
Lower than B-	-	-	-
Unrated	10	13	23
Total credit exposure to foreign financial institutions	9,640	9,106	18,746

External credit rating	On-balance sheet credit risk ⁽³⁾	Current off-balance sheet credit risk ⁽⁴⁾	Current credit exposure
			June 30, 2024
AAA to AA-	6,288	4,965	11,253
A+ to A-	3,382	3,074	6,456
BBB+ to BBB-	1	-	1
BB+ to B-	-	-	-
Lower than B-	-	-	-
Unrated	9	25	34
Total credit exposure to foreign financial institutions	9,680	8,064	17,744

External credit rating	On-balance sheet credit risk ⁽³⁾	Current off-balance sheet credit risk ⁽⁴⁾	Current credit exposure
			December 31, 2024
AAA to AA-	6,348	5,171	11,519
A+ to A-	3,197	3,011	6,208
BBB+ to BBB-	3	-	3
BB+ to B-	-	-	-
Lower than B-	-	-	-
Unrated	10	13	23
Total credit exposure to foreign financial institutions	9,558	8,195	17,753

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

(2) After deduction of provision for credit losses.

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

(4) The balance of off-balance sheet exposure to financial institutions includes NIS 6,959 million as of June 30, 2025 (as of June 30, 2024: NIS 7,562 million; as of December 31, 2024: NIS 7,744 million) with respect to acquiring insurance from international reinsurers for the portfolio of housing bonds for borrowers in the real estate sector in Israel as well as guarantees and additional commitments to extend credit, including guarantees to secure indebtedness of third parties.

Report of the Board of Directors and Management

As of June 30, 2025

The global financial system is grappling with the potential effects of the changing customs policies of the US administration. These policies may introduce uncertainty to the flow of global trade and lead to a certain level of uncertainty in the banking system and the business sector. Leading global banks currently assess their credit exposures to various sectors, with an emphasis on sectors such as the automotive, electronics and energy sectors, and look into way to deal with potential effects of tensions in global trade in order to mitigate potential risks. This uncertainty has an impact on economic forecasts. There are concerns that the tariff policies may lead to a slowdown in growth, affect inflation levels, and also impact the quality of the assets and levels of credit extended by the banking system; this is despite the fact that banks are currently deemed more resilient to economic changes. The uncertainty around future developments in the tariff policies creates an environment requiring strict risk assessments in the financial system.

The aforementioned credit exposure excludes exposure to financial institutions for which complete, explicit government guarantees are in place, and exclude investments in asset-backed securities. For more information with regard to credit exposure composition with respect to derivative instruments vis-à-vis banks and dealers/brokers (domestic and foreign), see Note 11c. to the financial statements.

Some of the exposures listed in the above table are included under "Credit Risk by Economic Sector", under "Financial services". This includes deposits with banks, loans to the public, public investment in bonds and other assets with respect to derivatives. Futures transactions, weighted in accordance with rules stated in Proper Business Conduct Directive 313, are included as part of off-balance sheet credit risk, and are excluded from the above table.

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

Exposure limits per institution include maximum exposure amount and maximum time to maturity for different types of activities and transactions. To this end, the existence (or absence) of an offset agreement for derivative operations with this financial institution is also taken into consideration. The policies also specify a hierarchy of authority for approval of specific transactions within the exposure limits. The Bank adjusts the exposure limits from time to time as required.

Out of total Bank group exposure, NIS 1,091 million, is to international affiliates of financial institutions in the USA. This exposure is mostly to major US Banks rated A+ or higher, mostly Global Systemically Important Banks (G-SIBs), which are subject to strict regulatory requirements, including taking part in stress testing and increased capital requirements. All of these banks have a stable credit profile and diverse funding sources. They operate throughout the USA and globally, providing a wide range of retail, commercial and corporate banking services.

The Bank closely monitors the exposures to financial institutions; among other things, it monitors public information and ratings, as well as any other information available with regard to financial institutions to which it is exposed. The exposure limits and actual exposure are assessed as required.

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

Residential mortgage risk and its development

In conjunction with credit risk management, the Bank takes various actions to manage, control and mitigate risks associated with provision of residential mortgages. Residential mortgages account for a significant share of all credit risk at the Bank, but this segment is still highly diversified and has a Low-Medium risk level, due to extensive diversification of borrowers from various economic sectors, relatively low LTV ratios, extensive geographic diversification of pledged assets and use of various risk mitigators, including property and life insurance, to mitigate credit risk in this segment. The Bank's policies with regard to mortgages are based on a specific approach, limiting specific risk for each loan by reviewing various risk attributes. These attributes include: review of borrower quality and their capacity to make current repayments even under scenarios involving changes to interest rates, ratio of repayment to regular household income, review of transaction data and LTV ratio. The Bank sometimes requires additional bolstering for the loan, such as guarantors for the loan, proven repayment capacity not based on regular borrower income and other bolstering measures.

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

When assessing borrower quality, the Bank considers, *inter alia*, the following: Per capita income, income stability, seniority and so forth. Moreover, approval of loans involves a high weighting attributed to the loan repayment to income ratio, so as to review the household repayment capacity, including under a scenario of higher interest rates.

The Bank also considers risk factors with regard to the transaction and to collateral, such as the loan purpose, LTV ratio, geographic location of collateral, findings on the appraiser report and so forth.

For more information about development of residential mortgage risk, see chapter "Risk factor severity" above.

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Risk appetite and risk profile in mortgage segment

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

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

Regular monitoring of the risk profile of the mortgage portfolio and its evolution over time, in view of the specified risk appetite, shows that leading risk benchmarks remain stable and do not indicate material deterioration or change in risk level; however, there is uncertainty with regard to the war's long-term effects. These benchmarks include: LTV ratios, repayment ratio, rate of obligation in default and, in particular, the rate of arrears for new loans (one year since origination), which is testimony to the high quality of underwriting at the Bank. Note that the average LTV ratio for the Bank's mortgage portfolio (at end of June 2025) was 54.7% (reflecting the LTV ratio upon loan origination – see elaboration below).

The Bank constantly reviews the risk measures and risk levels, adapting them as required to current business activity, subject to and in line with the risk appetite.

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

	Loans granted (NIS in millions)		
	Six months		Rate of Change
	2025	2024	In %
Mortgages issued (for housing and any purpose)			
From the Bank's funds	18,490	14,780	25.1
From funds of the Finance Ministry:			
Directed loans	68	69	(1.4)
Standing loans and grants	78	69	13.0
Total new loans	18,636	14,918	24.9
Refinanced loans	6,241	3,867	61.4
Total loans originated	24,877	18,785	32.4
Number of borrowers (includes refinanced loans)	33,286	29,259	13.8

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Below are details of various risk attributes of the residential mortgage portfolio⁽¹⁾ as of June 30, 2025 (NIS in millions):

LTV ratio	Repayment ratio out of regular income	Loan age ⁽²⁾ (time elapsed since loan grant)						Total
		Up to 3 months	3-12 months	1-2 years	2-5 years	5-10 years	Over 10 years	
Up to 60%	Up to 35%	3,477	12,592	11,318	39,682	31,984	16,446	115,499
	35%-50%	1,030	3,007	3,063	8,843	5,049	3,554	24,546
	50%-80%	5	6	8	88	68	773	948
	Over 80%	-	-	-	4	10	56	70
60%-75%	Up to 35%	2,105	8,565	6,970	29,735	16,074	6,102	69,551
	35%-50%	1,129	3,620	2,731	7,736	2,126	1,205	18,547
	50%-80%	-	-	3	40	28	204	275
	Over 80%	-	-	-	3	-	10	13
Over 75%	Up to 35%	64	386	307	823	508	967	3,055
	35%-50%	17	96	62	167	80	224	646
	50%-80%	-	-	-	7	2	52	61
	Over 80%	-	-	-	1	-	9	10
Total		7,827	28,272	24,462	87,129	55,929	29,602	233,221
Loans granted with original amount over NIS 2 million								
		1,487	5,005	4,074	12,853	4,014	1,471	28,904
Percentage of total residential mortgages								
		19.0%	17.7%	16.7%	14.8%	7.2%	5.0%	12.4%
Loans bearing variable interest:								
Non-linked, at prime lending rate		364	568	646	24,359	15,389	9,227	50,553
CPI-linked ⁽³⁾		346	1,922	1,724	6,311	942	2,276	13,521
In foreign currency ⁽³⁾		17	58	59	1,065	904	692	2,795
Total		727	2,548	2,429	31,735	17,235	12,195	66,869
Non-linked loans at prime lending rate, as percentage of total residential mortgages		4.7%	2.0%	2.6%	28.0%	27.5%	31.2%	21.7%
CPI-linked loans bearing variable interest as percentage of total residential mortgages		4.4%	6.8%	7.0%	7.2%	1.7%	7.7%	5.8%
Loans with LTV over 75% as percentage of total residential mortgages		1.0%	1.7%	1.5%	1.1%	1.1%	4.2%	1.6%

(1) Recorded debt balance.

(2) The loan balances presented above are aged based on the date of loan origination, and include under the same age group any loan balances actually provided at a later date.

Furthermore, loan refinancing does not modify the loan age, i.e. the loan balance is attributed to the original loan origination date.

This treatment also applies to refinancing of "directed" loans originally guaranteed by the State and refinanced to loans for which the Bank is responsible.

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

Attributes of the Bank's residential mortgages portfolio

The Bank's policies with regard to mortgages are based on a conservative approach, limiting specific risk for each loan by evaluating various attributes. These attributes include: LTV ratio, ratio of repayment to regular borrower income, and borrower capacity to make current repayments even under scenarios involving a change in interest rates. Whenever loans are granted with attributes which do not meet one or more of the standards set by the Bank for these attributes, the Bank requires additional bolstering for the loan, such as guarantors for the loan, proven repayment capacity not based on regular borrower income, and other additional reinforcements.

LTV

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

The average financing ratio for the Bank's mortgage portfolio as of June 30, 2025 is 54.7%, compared to 55.1% at the end of last year, and 54.9% on June 30, 2024. Out of the total loan portfolio of the Bank, amounting to NIS 233.2 billion, some 98.4% were granted with an original LTV ratio under 75%, which secures the loan even in case of an extreme 25% decrease in value of the property pledged as collateral.

The LTV ratio is the historical LTV ratio calculated upon loan approval, and does not account for any current repayments which reduce the loan balance nor any changes in value of properties pledged as collateral. The increase in housing prices, and conversely, reduced loan balances due to current repayments result in a decrease in the current LTV ratio and, as noted above, based on changes to property values as estimated by the Central Bureau of Statistics, against current portfolio balances. This ratio is lower than the historical LTV ratio. Total loans granted at LTV ratios over 75% in the past two years amounted to NIS 0.9 billion, or only 0.4% of the total residential mortgage portfolio.

Note, in this regard, that the Bank's average LTV ratio as of June 30, 2025, based on current outstanding balances (with no change to property value due to changes in housing prices) would have decreased as follows: For loans originated up to one year ago – by 3.5%. For loans originated one to 5 years ago – by 5.2%; for loans originated over 5 years ago – by 16.5%; for all loans in total – by 9.1%.

The percentage of loans granted with a high LTV ratio (over 75%) out of total residential mortgage portfolio of the Bank to 1.5% for loans granted 1-2 years ago, 1.7% for loans granted 3-12 months ago and 1.0% for loans granted in the second quarter of 2025.

Repayment as percentage of regular income

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

The average repayment ratio for the Bank's residential mortgage portfolio is 26.5%. Some 80.8% of the Bank's mortgage portfolio were granted to borrowers with a repayment ratio under 35% (the average repayment ratio for these borrowers is: 23.5%). Some 18.6% of the mortgage portfolio were granted to borrowers with a repayment ratio of 35% to 50% (the average repayment ratio for these borrowers is: 38.7%). Only 0.6% of all mortgages were extended to borrowers with a repayment ratio over 50%.

The loans with a high repayment ratio are loans granted to borrowers with significant other assets, or with high free per capita income net of mortgage repayment, or whose repayment capacity is not necessarily based on current income, or where additional bolstering of the loan is in place, in addition to the pledged property and repayment capacity of the borrower, such as financially stable guarantors. Moreover, approval of loans to such customers involves a high weighting attributed to the loan repayment to income ratio in conformity with a "normative interest rate", so as to review the household repayment capacity under a scenario of higher interest rates.

Loans bearing variable interest

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

The Bank of Israel's directives restrict the variable interest rate from the sum of the loan so that at least one third of the mortgage that must bear fixed interest remains, and up to two thirds may be extended bearing variable interest.

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

Loan amount

Loans granted by the Bank with an original amount over NIS 2 million amounted in total to NIS 28.9 billion on June 30, 2025, or 12.4% of the Bank's residential mortgage portfolio.

For more information about residential mortgages risk, see also the 2024 Risks Report available on the Bank website.

As of June 30, 2025

For additional details on the operating risk including business continuity risks, information security and cyber risk, information technology risk, legal risk, and model risk see the Report of the Board of Directors and Risks Report for 2024.

Risk description and development thereof

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.

As noted, the overall risk level of market and interest risk remained Low-Medium. The interest risk level remains Medium. The risk values are within the limits of the Bank's risk appetite. The Bank of Israel interest rate remained unchanged at 4.50%.

Furthermore, the Bank continued to strictly manage its CPI-linked position, based on creating a daily linkage balance sheet and establishing a forecast position under various scenarios.

	First half		All of
	2025	2024	2024
At end of period	1,466	1435	1,487
Maximum value during period	(May) 1,645	(Feb.) 1,734	(Feb.) 1,734
Minimum value during period	(Mar.) 1,401	(June) 1,435	(Sep.) 1,409

The back-testing of the VAR model in the comprehensive portfolio indicates that the model is in order.

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

	Change in fair value				
	Israeli currency	Foreign currency			
	Non-linked	Linked to CPI	USD	EUR	Other
					Total EVE
					June 30, 2025
2% increase	(2,131)	(1,379)	52	81	30
2% decrease	2,359	1,631	(298)	(91)	(29)
					June 30, 2024
2% increase	(1,675)	(1,866)	147	93	37
2% decrease	1,592	2,014	(148)	(100)	(41)
					December 31, 2024
2% increase	(2,169)	(1,557)	(84)	66	29
2% decrease	1,948	1,560	(185)	(70)	(29)

(2) As from the second quarter of 2024, in accordance with Proper Conduct of Banking Business Directive 333, the reported scenario results do not include offsetting between the scenario results in NIS and foreign currency results: NIS-denominated losses and foreign currency-denominated losses are summed in full, profits in both segments are also summed in full; however, profit from one segment will not offset a loss incurred in another segment and only the loss will be taken into account.

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Report of the Board of Directors and Management

As of June 30, 2025

Quantitative information about interest risk – Sensitivity analysis

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

	As of June 30, 2025			As of June 30, 2024			As of December 31, 2024		
	NIS	Foreign currency ⁽²⁾	Total	NIS	Foreign currency ⁽²⁾	Total	NIS	Foreign currency ⁽²⁾	Total
Net balance sheet balance ⁽¹⁾	31,795	(124)	31,671	29,032	(238)	28,794	30,433	(108)	30,325
Net adjusted fair value ⁽¹⁾	31,548	289	31,837	⁽³⁾ 32,239	1,457	33,696	30,178	430	30,608
Of which: Banking portfolio	30,484	(8,735)	21,749	⁽³⁾ 25,827	(714)	25,113	21,961	(1,086)	20,875
Of which: Effect of attribution of on-call deposits to terms	4,273	519	4,792	5,588	898	6,486	4,674	594	5,268
Of which: Effect of early repayment of residential mortgages	(831)	(28)	(859)	(119)	(29)	(148)	(235)	(40)	(275)
Of which: Impact of early receptions of public deposits	(79)	-	(79)	(47)	-	(47)	23	-	23

The difference between the fair value and the balance-sheet balance decreased by NIS 0.4 billion from NIS (3.0) billion as of December 31, 2024 to NIS (2.6) billion as of June 30, 2025. The decrease arises from the fact that interest rates in the long tenor declined during the first half of the year, which affects mortgages, alongside a stability in the short tenor, which affects the sources.

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

	As of June 30, 2025			As of June 30, 2024			As of December 31, 2024		
	NIS	Foreign currency ⁽²⁾	Total	NIS	Foreign currency ⁽²⁾	Total	NIS	Foreign currency ⁽²⁾	Total
Concurrent changes									
Concurrent 1% increase	(1,953)	(70)	(2,023)	(1,872)	(29)	(1,901)	(1,994)	(129)	(2,123)
Of which: Banking portfolio	(1,886)	(60)	(1,946)	(1,846)	(57)	(1,903)	(1,972)	(115)	(2,087)
Of which: Effect of attribution of on-call deposits to terms	1,411	325	1,736	1,358	301	1,659	1,459	313	1,772
Of which: Effect of early repayment of residential mortgages	2,903	3	2,906	2,490	3	2,493	2,737	4	2,741
Of which: Impact of early receptions of public deposits	(269)	-	(269)	(198)	-	(198)	(183)	-	(183)
Concurrent 2% increase	(3,770)	52	(3,718)	(3,507)	64	(3,443)	(3,851)	(48)	(3,899)
Of which: Banking portfolio	(3,694)	89	(3,605)	(3,461)	51	(3,410)	(3,811)	(21)	(3,832)
Concurrent 1% decrease	1,345	(184)	1,161	1,327	(200)	1,127	1,539	(181)	1,358
Of which: Banking portfolio	1,378	(235)	1,143	1,294	(261)	1,033	1,514	(195)	1,319
Of which: Effect of attribution of on-call deposits to terms	(1,508)	(346)	(1,854)	(1,455)	(321)	(1,776)	(1,563)	(333)	(1,896)
Of which: Effect of early repayment of residential mortgages	(3,560)	(3)	(3,563)	(3,047)	(3)	(3,050)	(3,357)	(4)	(3,361)
Of which: Impact of early receptions of public deposits	287	-	287	212	-	212	197	-	197
Concurrent 2% decrease	3,936	(260)	3,676	3,236	(263)	2,973	4,249	(212)	4,037
Of which: Banking portfolio	3,938	(347)	3,591	3,162	(344)	2,818	4,191	(245)	3,946
Non-concurrent changes									
Steepening ⁽⁴⁾	(882)	(77)	(959)	(1,040)	57	(983)	(936)	56	(880)
Flattening ⁽⁵⁾	326	106	432	351	21	372	404	15	419
Short-term interest increase	(169)	152	(17)	(231)	189	(42)	(269)	173	(96)
Short-term interest decrease	228	(161)	67	161	(193)	(32)	355	(176)	179

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

(2) Includes Israeli currency linked to foreign currency.

(3) Reclassified.

(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%.

There were no significant changes in the interest rate increase and decrease scenarios compared to the corresponding period last year.

See Note 16 to the financial statements for additional information.

Report of the Board of Directors and Management

As of June 30, 2025

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.

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

	As of June 30, 2025			As of June 30, 2024			As of December 31, 2024		
	Interest revenues	Non-interest financing revenues ⁽³⁾	Total	Interest revenues	Non-interest financing revenues ⁽³⁾⁽⁵⁾	Total	Interest revenues	Non-interest financing revenues ⁽³⁾	Total
Concurrent changes⁽²⁾									
Concurrent 1% increase	(32)	344	312	14	(423)	(409)	(39)	297	258
Of which: Banking portfolio	(31)	355	324	11	(390)	(379)	(40)	315	275
Concurrent 1% decrease	(372)	(182)	(554)	(428)	254	(174)	(444)	(142)	(586)
Of which: Banking portfolio	(373)	(185)	(558)	(425)	212	(213)	(442)	(164)	(606)

(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) The interest rate increase/decrease scenario includes an assumption that bonds are purchased and/or sold and funds are diverted from current accounts to deposits and/or from short-term deposits to current accounts. The decline in the Bank portfolio's sensitivity to decline in interest rates in this year arises both from operating activities and from revision to the behavioral assumptions.

(5) Reclassified.

Impact of change scenarios in interest rates equity attributed to Bank shareholders:

	As of June 30, 2025	As of June 30, 2024	As of December 31, 2024
	NIS in millions		
Concurrent 1% increase	(31)	(101)	(43)
Concurrent 1% decrease	1	83	17

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

- Credit balances in checking accounts are attributed in line with common practice in conformity with the Basel directives, i.e. over an average term of 4-5 years for different customer types.
- When calculating sensitivity of interest revenues, the risk-free interest rate is not capped at a minimum of 0%. In the same way, no cap is applied to the discount rate at 0% when calculating non-interest financing revenues.
- It was assumed that under a scenario of interest-rate hikes, funds would be diverted from current account balances to interest-bearing deposits. On the other hand, under a scenario of interest-rate cuts, it is expected that funds would be diverted from interest-bearing deposits to current accounts and that the proportion of bonds in the nostro portfolio will change.

Under the concurrent scenario of interest rate increase by 1%, the capital reserve with respect to securities is expected to decrease by NIS 254 million.

For further details of assumptions used in calculation of the fair value of financial instruments, see Note 16 to these financial statements and Note 33 to the financial statements as of December 31, 2024.

Analysis of CPI and exchange rate exposures

Below is analysis of the sensitivity of Bank Group capital to changes in major exchange rates and in the CPI (before tax effect) as of June 30, 2025, capital increase (erosion) (NIS in millions):

	Scenarios				Historical stress scenario ⁽¹⁾	
	10% increase	5% increase	5% decrease	10% decrease	Maximum increase	Maximum decrease
CPI ⁽²⁾	2,562	1,281	(1,281)	(2,562)	290	(178)
USD	1	1	(2)	(6)	1	(2)
GBP	-	-	-	-	-	-
JPY	1	-	-	-	-	-
EUR	3	2	2	11	1	3
SFR	-	-	-	-	-	-

(1) Stress scenarios were calculated based on daily changes in the exchange rate and monthly changes in the CPI, in the last 10 years.

(2) Capital sensitivity to a 3% increase / decrease in the CPI is NIS 769 million and NIS (769) million, respectively.

Share price risk

For more information about share price risk, see the 2024 Risks Report available on the Bank website.

For information about equity investments, see Note 5 to these financial statements and Notes 12 and 15.A to the 2024 financial statements.

Liquidity and financing risk

Risk description and development thereof

A Liquidity risk is a risk arising from uncertainty about resource availability and the capacity to realize assets in a specified time at a reasonable price.

Financing risk is a risk resulting from shortage of financing sources or financing sources' raising costs, which are too high.

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

Over the course of the second quarter of 2025, there were no recorded deviations from the Board of Directors' restrictions.

Liquidity risk remained low-medium. In January 2025, in view of the subsidence in fighting in the south, the ceasefire in the north, and the calm in the markets, it was decided to lower the Bank's state of alert regarding liquidity by one notch, after its level was increased by one notch since the outbreak of the war and due to the security situation and its effects. In June 2025, following Operation Rising Lion, the markets and the various indicators were closely monitored, and it was decided to maintain this state of alert.

The Bank closely monitors the potential changes in the situation. In practice, no events nor indications were observed which would indicate realization of a liquidity event.

As of June 30, 2025, the balance of the three largest depositor groups at the Bank Group amounted to NIS 34.9 billion.

For more information about sources of finance and development of the balance of deposits from the public, see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below.

For more information about financing risk, see also the 2024 Risks Report available on the Bank website.

Liquidity coverage ratio

In conformity with Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio", the minimum regulatory requirement is 100%. This Directive stipulates minimum liquidity ratios for a one-month term (regulatory LCR), calculated based on uniform multipliers for the banking system, specified by the Bank of Israel based on Basel III directives. As part of its risks management policy, the Bank's Board of Directors specified that additional safety cushions are to be maintained, beyond the regulatory minimum ratio; so that the target liquidity coverage ratio for the Bank and the Group would be 5% higher than the minimum required. This ratio is managed and reported for all currencies in aggregate and for NIS separately, both at Bank level and on Group basis. The ratio for the Bank solo and the consolidated ratio are calculated daily and reported as the average of daily observations over 90 days prior to the report date. This regulation is in addition to liquidity risk management using internal models, as stipulated by Directive 342, as described above.

In the second quarter of 2025, the Bank maintained appropriate liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. The average liquidity coverage ratio (on consolidated basis) for the second quarter of 2025 was 135%. The average ratio in the second quarter of 2025 decreased compared to the ratio in the first quarter of 2025, due to shorter sources for a range of 30 days. During the quarter, there were no recorded deviations from ratio restrictions.

As of June 30, 2025, the Bank has a high-quality liquid assets balance (consolidated) of approx. NIS 96.6 billion, in addition to other liquid assets, which are not recognized for the purpose of calculating HQLA.

As of June 30, 2025, total pledged assets amount to approx. NIS 6.7 billion. These assets not recognized for the purpose of calculating HQLA. The increase in pledged assets arises from an increase in Bank customers' exposure to futures abroad.

Net stable funding ratio

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

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 of June 30, 2025, net stable funding ratio (on a consolidated basis) was 112%, compared to 113% as of March 31, 2025.

No deviations from the risk appetite limitations were recorded.

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

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

Other risks

For further details on other risks including compliance and regulation risks, cross-border risks, money laundering risks, terror financing risks, reputational risks, strategic business risks and regulatory business risks, see the Report of the Board of Directors and the Risks Report for 2024.

Policies and critical accounting estimates, controls and procedures

Policies and critical accounting estimates

The Bank's Financial Statements have been prepared in accordance with the directives and guidelines of the Supervisor of Banks. These directives largely adopt the accounting rules accepted at banks in the United States (US GAAP). These condensed financial statements should be read in conjunction with the audited financial statements as of December 31, 2024.

The significant accounting policies are detailed in Note 1 to the 2024 financial statements.

The application of generally accepted accounting principles by management at the time that the financial statements are prepared occasionally involves various assumptions, assessments and estimates that affect the amounts and business results reported in the financial statements. Some of the assumptions, assessments and estimates are critical to the financial position or the results of operations reflected in the Group's financial statements, because of the materiality of the matter, complexity of calculations or the extent of the probability that matters shrouded in uncertainty will be realized.

Management estimates and key assumptions used in applying accounting policy to these financial statements are consistent with those used to prepare the financial statements as of December 31, 2024. For more information about accounting policies on critical matters, see chapter "Policies and critical accounting estimates" of the 2024 Report of the Board of Directors and Management.

Provision for credit losses

The Bank has put in place procedures for classification of credit and for measurement of provision for credit losses, in order to maintain an appropriate provision to cover expected credit losses with regard to the Bank's loan portfolio. Further, the Bank has put in place procedures to be followed for an appropriate provision to cover expected credit losses with regard to bonds held to maturity and the portfolio of bonds available for sale and certain off-balance sheet credit exposures. The estimated provision for expected credit losses is calculated over the contractual term of the financial asset, taking into account estimated early repayment.

Sensitivity of provisions for credit losses to changes in economic conditions is due to a significant number of connections and mutual effects: Effect on certain customers who cannot meet their obligations, and consequently subject to a specific provision; effect on certain customers who are facing difficulties that require classification as inferior or under special supervision, and consequently the group-based provision with respect thereto has increased; effect on the additional qualitative component of the group-based provision, through parameters of growth and unemployment that are part of the model; additional effect on the additional qualitative component, through other parameters affected by unemployment and growth, such as the number of Watchlists and average rating of customers and other effects not included in the models, if any, based on exercise of discretion.

Expenses with respect to credit losses in the first half of 2025 amounted to NIS 159 million, compared to NIS 284 million in the corresponding half last year. The components of the collective provision for credit losses calculated on a qualitative basis are subject to adjustments from time to time, in order to reflect the changes in the credit risk in the market due to the ongoing fighting (at various levels of intensity) and the associated uncertainty, both with respect to customers living in the conflict zones, who may face difficulties, and with respect to macro-economic and other developments which may affect everyone in Israel. This also reflects the risk potential due to customers, the repayment of whose loans was postponed for a limited period, and in respect of customers, the repayment of whose loans was resumed after such postponement. This was done despite the fact that when the adjustments were made no material indicators of increase in this risk have been identified. Upon conclusion of the war and the reduction in uncertainty levels, these components of the collective provision are expected to decrease, other than the recognized amounts, as required, with respect to specific customers who faced difficulties due to the war.

The risk assessment for debts with deferred payments takes into account the customer's history at the Bank, including failures to pay and arrears in the past, as expressed in the risk rating given prior to the deferral. As a rule, deferral of payments is not granted customers in arrears of over 180 days, or to a customer who upon the deferral date has indications of difficulties in long-term repayment capabilities. In cases featuring indications of an ongoing difficulty in a customer's repayment ability, which is not a temporary difficulty that is expected to end with the end of the war, or in cases in which the customer needs a redemption arrangement that includes a waiver on the move to deferring payments, the Bank's policy is to classify the customer during the deferral period. This, while taking into account the support the customer receives within the framework of various state programs. Note that the risk potential attributed to the loans population in deferring the payments, including regarding uncertainty regarding the customer's current repayment ability, is expressed both in the customer's internal rating, and in the qualitative component of the collective provision to credit losses.

Report of the Board of Directors and Management

As of June 30, 2025

In order to establish the provision with respect to impact of the war and other effects, the Bank conducted independent sensitivity analysis of potential effects of deterioration in macro-economic parameters on default rates. The group-based provision recognized by the Bank with respect to uncertainty is similar to total loss under the stress scenario of short-term decline by 5% in the GDP, a further 0.9% increase in Bank of Israel interest rate, a 0.5% increase and in mortgage interest, and a rise in unemployment to 6.6%.

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank's Board of Directors. These assumptions may not materialize due to factors which are not solely controlled by the Bank.

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

Controls and Procedures

In accordance with the Public Reporting Directives of the Supervisor of Banks, based on requirements stipulated in Sections 302 and 404 of the American Sarbanes Oxley Law, the Bank President & CEO and the Chief Accountant of the Bank have each separately signed a Certification attached to the financial statements on "Disclosure Controls and Procedures (hereinafter: "Disclosure Certification").

The Disclosure Certification relates to the controls and procedures that were designed to assure that the information that the Bank requires for disclosure in accordance with the Public Reporting Regulations of the Supervisor of Banks, is accumulated, processed and sent to the Bank's Executive Management in a manner that enables decisions to be reached at an appropriate time, with respect to disclosure requirements. The certification also refers to setting of internal controls over financial reporting intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks.

Evaluation of controls and procedures with regard to disclosure

Bank management, together with the Bank President & CEO and the Chief Accountant of the Bank, evaluated the effectiveness of the Bank's disclosure controls and procedures as of June 30, 2025. Based on this evaluation, the Bank President & CEO and the Chief Accountant of the Bank concluded that at the end of the period ended June 30, 2025, the disclosure controls and procedures are effective for recording, processing, summarizing and reporting the information that the Bank is required to disclose in the quarterly report, in accordance with the Public Reporting Regulations of the Supervisor of Banks, on the date stipulated in these Regulations.

Changes to internal controls

In the second quarter of 2025, no change occurred in the Bank's internal controls over financial reporting that had a material effect, or can reasonably be expected to have a material effect on the Bank's internal controls over financial reporting.

Avraham Zeldman

Chairman of the Board of Directors

Moshe Lari

President & CEO

Approval date:
August 13, 2025

Certification by the President & CEO – Disclosure and internal controls

As of June 30, 2025

Certification

I, MOSHE LARI, certify that:

1. I have reviewed the quarterly report of Bank Mizrahi Tefahot Ltd. (hereinafter: "the Bank") for the quarter ended June 30, 2025 (hereinafter: "the Report").
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact nor omit to state any material fact necessary so that the statements included therein, in light of the circumstances under which such statements were made, would not be misleading with respect to the period covered by the Report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the Report fairly present, in all material respects, the financial condition, results of operations, and changes in shareholders' equity and cash flows of the Bank as of the dates and for the periods presented in this Report.
4. I and others at the Bank who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure⁽¹⁾ and to the Bank's internal controls over financial reporting⁽¹⁾ as well as:
 - A. We have determined such controls and procedures, or caused these controls and procedures to be determined under our supervision, for the purpose of ensuring that material information relating to the Bank, including its subsidiaries, is made known to us by others in the Bank and in those entities, particularly during the period in which the Report is being prepared;
 - B. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks;
 - C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and
 - D. We have disclosed in this Report any change in the Bank's internal controls over financial reporting that occurred during this quarter, that has materially affected, or is reasonably likely to materially affect, the Bank's internal controls over financial reporting; and
5. I and others in the Bank who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Bank's independent auditors, the Board of Directors and the Audit and Balance Sheet Committees of the Board of Directors of the Bank:
 - A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting which are reasonably likely to impair the Bank's ability to record, process, summarize and report financial information; and
 - B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal controls over financial reporting.

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

Moshe Lari

President & CEO

August 13, 2025

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

Certification by the Chief Accountant – Disclosure and internal controls

As of June 30, 2025

Certification

I, MENAHEM AVIV, certify that:

1. I have reviewed the quarterly report of Bank Mizrahi Tefahot Ltd. (hereinafter: "the Bank") for the quarter ended June 30, 2025 (hereinafter: "the Report").
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact nor omit to state any material fact necessary so that the statements included therein, in light of the circumstances under which such statements were made, would not be misleading with respect to the period covered by the Report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the Report fairly present, in all material respects, the financial condition, results of operations, and changes in shareholders' equity and cash flows of the Bank as of the dates and for the periods presented in this Report.
4. I and others at the Bank who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure⁽¹⁾ and to the Bank's internal controls over financial reporting⁽¹⁾ as well as:
 - A. We have determined such controls and procedures, or caused these controls and procedures to be determined under our supervision, for the purpose of ensuring that material information relating to the Bank, including its subsidiaries, is made known to us by others in the Bank and in those entities, particularly during the period in which the Report is being prepared;
 - B. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks;
 - C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and
 - D. We have disclosed in this Report any change in the Bank's internal controls over financial reporting that occurred during this quarter, that has materially affected, or is reasonably likely to materially affect, the Bank's internal controls over financial reporting; and
5. I and others in the Bank who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Bank's independent auditors, the Board of Directors and the Audit and Balance Sheet Committees of the Board of Directors of the Bank:
 - A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting which are reasonably likely to impair the Bank's ability to record, process, summarize and report financial information; and
 - B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal controls over financial reporting.

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

Menahem Aviv

Vice-president
Chief Accountant

August 13, 2025

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



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

Introduction

We have reviewed the enclosed financial information of Bank Mizrahi Tefahot Ltd. and subsidiaries thereof ("the Bank"), consisting of the interim condensed consolidated balance sheet as of June 30, 2025, the interim condensed consolidated statements of profit and loss, comprehensive income, changes to shareholder equity and cash flows for the six-month and three-month periods then ended. The Board of Directors and Management are responsible for the preparation and fair disclosure of financial information for these interim periods in accordance with directives and guidelines set by the Supervisor of Banks (hereinafter: the "Directives"). We are responsible for expressing our conclusion with regard to financial information for these interim periods, based on our review.

We did not review the condensed financial information of certain consolidated subsidiaries, whose assets included in consolidation constitute 3.89% of total consolidated assets as of June 30, 2025, and whose net interest revenues before expenses with respect to credit losses included in the consolidated statements of profit and loss constitute 5.05% and 4.64% of total consolidated net interest revenues before expenses with respect to credit losses, respectively, for the six-month and three-month periods then ended. The condensed financial information for interim periods of these companies was reviewed by other auditors, whose review reports were furnished to us, and our opinion, insofar as it relates to amounts included with respect to these companies, is based on the review reports of the other auditors.

Review scope

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

Conclusion

Based on our review, and on the review reports of other auditors, nothing has come to our attention that would cause us to assume that the aforementioned financial information has not been prepared, in all material aspects, in accordance with the directives. As stated in Note 1 to the Financial Information, the Directives largely adopt US GAAP.

Brightman Almagor Zohar & Co.

Certified Public Accountants

A Firm in the Deloitte Global Network

Tel Aviv, August 13, 2025

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Bank Mizrahi Tefahot

Condensed financial statements as of June 30, 2025

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Condensed Financial Statements

As of June 30, 2025

Condensed consolidated statements of profit and loss

Reported amounts (NIS in millions)

	Note	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
		2025	2024	2025	2024	2024
		(Unaudited)				(Audited)
Interest revenues	2	7,182	7,060	13,378	12,816	25,798
Interest expenses	2	4,089	3,840	7,486	6,911	13,984
Interest revenues, net		3,093	3,220	5,892	5,905	11,814
Expenses due to credit losses	6,13	56	109	159	284	519
Interest revenues, net after expenses with respect to credit losses		3,037	3,111	5,733	5,621	11,295
Non-interest revenues						
Non-interest financing revenues	3	43	26	185	371	574
Commissions		590	516	1,123	1,018	2,060
Other revenues		65	73	137	139	273
Total non-interest revenues		698	615	1,445	1,528	2,907
Operating and other expenses						
Payroll and associated expenses		857	868	1,734	1,724	3,431
Maintenance and depreciation of buildings and equipment		269	251	529	493	992
Other expenses		197	209	399	390	799
Total operating and other expenses		1,323	1,328	2,662	2,607	5,222
Pre-tax profit		2,412	2,398	4,516	4,542	8,980
Provision for taxes on profit		910	893	1,674	1,728	3,326
After-tax profit		1,502	1,505	2,842	2,814	5,654
Share of profits of associated companies, after tax effect		6	3	11	12	16
Net profit:						
Before attribution to non-controlling interests		1,508	1,508	2,853	2,826	5,670
Attributable to non-controlling interests		(55)	(56)	(110)	(102)	(215)
Attributable to shareholders of the Bank		1,453	1,452	2,743	2,724	5,455

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

Avraham Zeldman
Chairman of the Board of Directors

Moshe Lari
President & CEO

Menahem Aviv
Vice-president
Chief Accountant

Approval date:
Ramat Gan, August 13, 2025

Condensed Financial Statements

As of June 30, 2025

Condensed consolidated statements of profit and loss – Continued

Reported amounts (NIS in millions)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Earnings per share⁽¹⁾ (in NIS)					
Basic earnings					
Net profit attributable to shareholders of the Bank	5.60	5.62	10.58	10.55	21.12
Weighted average number of ordinary shares used to calculate basic earnings (thousands of shares)	259,402	258,273	259,228	258,221	258,306
Diluted earnings					
Net profit attributable to shareholders of the Bank	5.56	5.60	10.51	10.50	21.02
Weighted average number of ordinary shares used to calculate diluted earnings (thousands of shares)	261,150	259,247	260,866	259,365	259,551

(1) Share of NIS 0.1 par value.

Condensed Financial Statements

As of June 30, 2025

Condensed consolidated statements of comprehensive income

Reported amounts (NIS in millions)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net profit:					
Before attribution to non-controlling interests	1,508	1,508	2,853	2,826	5,670
Attributable to non-controlling interests	(55)	(56)	(110)	(102)	(215)
Net profit attributable to shareholders of the Bank	1,453	1,452	2,743	2,724	5,455
Other comprehensive income (loss) before taxes 4					
Adjustments for presentation of available-for-sale bonds at fair value, net	169	(223)	157	(142)	205
Adjustments from translation of financial statements of investments in associated companies ⁽¹⁾	-	-	-	-	-
Net gains from cash flow hedges	(1)	(1)	(1)	(2)	3
Adjustments of liabilities with respect to employee benefits ⁽¹⁾	(67)	138	(4)	143	109
Total other comprehensive income (loss), before tax	101	(86)	152	(1)	317
Related tax effect	(34)	25	(50)	(4)	(107)
Other comprehensive income (loss) after taxes⁽²⁾					
Other comprehensive income (loss), before attribution to non-controlling interests	67	(61)	102	(5)	210
Less other comprehensive income (loss) attributed to non-controlling interests	3	3	6	5	15
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes	64	(64)	96	(10)	195
Comprehensive income:					
Before attribution to non-controlling interests	1,575	1,447	2,955	2,821	5,880
Attributable to non-controlling interests	(58)	(59)	(116)	(107)	(230)
Comprehensive income attributable to shareholders of the Bank	1,517	1,388	2,839	2,714	5,650

(1) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve.

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

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

Condensed Financial Statements

As of June 30, 2025

Condensed consolidated balance sheets

Reported amounts (NIS in millions)

			As of June 30	As of December 31
			2025	2024
	Note		(Unaudited)	(Audited)
Assets				
Cash and deposits with banks		78,885	85,912	82,644
Securities ⁽¹⁾⁽²⁾	5	39,704	25,370	28,491
Securities borrowed or purchased in resale agreements		473	280	264
Loans to the public	6,13	380,699	341,812	362,094
Provision for credit losses	6,13	(4,027)	(4,114)	(4,113)
Loans to the public, net	6,13	376,672	337,698	357,981
Loans to Governments		299	399	318
Investments in associated companies		375	245	263
Buildings and equipment		1,906	1,612	1,852
Intangible assets and goodwill		102	132	117
Assets with respect to derivatives	11	9,465	5,008	5,526
Other assets		9,406	5,028	8,187
Total assets		517,287	461,684	485,643
Liabilities and Equity				
Deposits from the public	7	417,394	373,579	393,383
Deposits from banks		2,497	2,433	2,599
Deposits from the Government		128	38	49
Bonds and subordinated notes		36,332	39,578	36,916
Liabilities with respect to derivatives	11	10,204	3,597	5,123
Other liabilities ⁽³⁾		16,085	11,646	14,844
Total liabilities		482,640	430,871	452,914
Shareholders' equity attributable to shareholders of the Bank		33,114	29,464	31,292
Non-controlling interests		1,533	1,349	1,437
Total equity		34,647	30,813	32,729
Total liabilities and equity		517,287	461,684	485,643

(1) Of which: NIS 35,412 million at fair value on consolidated basis (on June 30, 2024: NIS 21,104 million; on December 31, 2024: NIS 24,285 million).

(2) For more information with regard to securities pledged or provided as collateral to lenders, see Note 5 to the financial statements.

(3) Of which: Provision for credit losses with respect to off balance sheet credit instruments amounting to NIS 242 million (on June 30, 2024: NIS 237 million, on December 31, 2024: NIS 245 million).

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

Condensed Financial Statements

As of June 30, 2025

Condensed Statements of Changes in Shareholders' Equity

Reported amounts (NIS in millions)

	Share capital and premium ⁽¹⁾	Capital reserve from benefit from share-based payment transactions	Total paid-up share capital and reserves	Cumulative other comprehensive income (loss) ⁽²⁾	Retained earnings ⁽³⁾	Total share-holders' equity	Non-controlling interests	Total equity
For the three months ended June 30, 2025 (unaudited)								
Balance as of March 31, 2025	3,601	126	3,727	(183)	28,550	32,094	1,475	33,569
Net profit for the period	-	-	-	-	1,453	1,453	55	1,508
Dividends paid ⁽⁴⁾	-	-	-	-	(516)	(516)	-	(516)
Benefit from share-based payment transactions	-	19	19	-	-	19	-	19
Realization of share-based payment transactions	51	(51)	-	-	-	-	-	-
Other comprehensive income, net, after tax	-	-	-	64	-	64	3	67
Balance as of June 30, 2025	3,652	94	3,746	(119)	29,487	33,114	1,533	34,647
For the three months ended June 30, 2024 (unaudited)								
Balance as of March 31, 2024	3,558	117	3,675	(356)	25,259	28,578	1,290	29,868
Net profit for the period	-	-	-	-	1,452	1,452	56	1,508
Dividends paid ⁽⁴⁾	-	-	-	-	(509)	(509)	-	(509)
Benefit from share-based payment transactions	-	7	7	-	-	7	-	7
Realization of share-based payment transactions	4	(4)	-	-	-	-	-	-
Other comprehensive income, net, after tax	-	-	-	(64)	-	(64)	3	(61)
Balance as of June 30, 2024	3,562	120	3,682	(420)	26,202	29,464	1,349	30,813

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

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

(3) For information regarding various restrictions on dividend distribution and dividends paid, see Note 24 to the 2024 financial statements. On June 8, 2025, a dividend distribution amounting to NIS 516 million was made in conformity with resolution by the Bank's Board of Directors. On June 6, 2024, a dividend distribution amounting to NIS 509 million was made in conformity with resolution by the Bank's Board of Directors.

(4) For more information regarding "Share-based Payment Transactions" see Note 17.

- On August 13, 2025, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 726.5 million, constituting 50% of net profit in the second quarter of 2025; this resolution was made after assessing the Bank's capital planning under various scenarios, all further to the Bank's Board of Directors' resolution of June 4, 2025 regarding the new strategic plan.

Condensed Financial Statements

As of June 30, 2025

Condensed Statements of Changes in Shareholders' Equity

Reported amounts (NIS in millions)

	Share capital and premium ⁽¹⁾	Capital reserve from benefit from share-based payment transactions	Total paid-up share capital and capital reserves	Cumulative other comprehensive income (loss) ⁽²⁾	Retained earnings ⁽³⁾	Total shareholders' equity	Non-controlling interests	Total equity
For the six months ended June 30, 2025 (unaudited)								
Balance as of December 31, 2024	3,571	154	3,725	(215)	27,782	31,292	1,437	32,729
Net profit for the period	-	-	-	-	2,743	2,743	110	2,853
Dividends paid ⁽⁴⁾	-	-	-	-	(1,038)	(1,038)	-	(1,038)
Benefit from share-based payment transactions	-	21	21	-	-	21	-	21
Realization of share-based payment transactions	81	(81)	-	-	-	-	-	-
Dividends attributable to non-controlling interests in subsidiary	-	-	-	-	-	-	(20)	(20)
Other comprehensive income (loss), net, after tax	-	-	-	96	-	96	6	102
Balance as of June 30, 2025	3,652	94	3,746	(119)	29,487	33,114	1,533	34,647
For the six months ended June 30, 2024 (unaudited)								
Balance as of December 31, 2023	3,556	119	3,675	(410)	24,196	27,461	1,242	28,703
Net profit for the period	-	-	-	-	2,724	2,724	102	2,826
Dividends paid ⁽⁴⁾	-	-	-	-	(718)	(718)	-	(718)
Benefit from share-based payment transactions	-	7	7	-	-	7	-	7
Realization of share-based payment transactions	6	(6)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	(10)	-	(10)	5	(5)
Balance as of June 30, 2024	3,562	120	3,682	(420)	26,202	29,464	1,349	30,813
For the year ended December 31, 2024 (audited)								
Balance as of December 31, 2023	3,556	119	3,675	(410)	24,196	27,461	1,242	28,703
Net profit for the period	-	-	-	-	5,455	5,455	215	5,670
Dividends paid ⁽⁴⁾	-	-	-	-	(1,869)	(1,869)	-	(1,869)
Benefit from share-based payment transactions	-	50	50	-	-	50	-	50
Realization of share-based payment transactions	15	(15)	-	-	-	-	-	-
Dividends attributable to non-controlling interests in subsidiary	-	-	-	-	-	-	(35)	(35)
Other comprehensive income (loss), net, after tax	-	-	-	195	-	195	15	210
Balance as of December 31, 2024	3,571	154	3,725	(215)	27,782	31,292	1,437	32,729

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

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

(3) For information regarding various restrictions on dividend distribution and dividends paid, see Note 24 to the 2024 financial statements.

On June 8, 2025, a dividend distribution amounting to NIS 516 million was made in conformity with resolution by the Bank's Board of Directors. On June 6, 2024, a dividend distribution amounting to NIS 509 million was made in conformity with resolution by the Bank's Board of Directors.

(4) For more information regarding "Share-based Payment Transactions" see Note 17.

- On August 13, 2025, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 726.5 million, constituting 50% of net profit in the second quarter of 2025; this resolution was made after assessing the Bank's capital planning under various scenarios, all further to the Bank's Board of Directors' resolution of June 4, 2025 regarding the new strategic plan.

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

Condensed Financial Statements

As of June 30, 2025

Condensed statements of cash flows

Reported amounts (NIS in millions)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)				(Audited)
Cash Flows from Current Activity					
Net profit before attribution to non-controlling interests	1,508	1,508	2,853	2,826	5,670
Adjustments					
Share of banking corporation in undistributed earnings of associated companies	(6)	(3)	(11)	(12)	(16)
Depreciation of buildings and equipment (including impairment)	73	71	143	141	285
Expenses due to credit losses	56	109	159	284	519
Loss (gain) from sale of securities available for sale and shares not held for trading	(11)	(26)	(16)	(11)	25
Realized and unrealized gain (loss) from adjustment to fair value of securities held for trading	(5)	(10)	(7)	(33)	(43)
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	(33)	22	(29)	6	(74)
Impairment of securities held for sale and shares not held for trading	1	4	(27)	4	6
Expenses arising from share-based payment transactions	19	7	21	7	50
Deferred taxes, net	53	15	60	(24)	15
Change in employees' provisions and liabilities	24	36	22	21	64
Adjustments with respect to exchange rate differentials	725	(152)	567	(272)	(24)
Accrual differences included with investment and financing operations	7,712	62	6,351	104	9,669
Net change in current assets					
Assets with respect to derivatives	(3,743)	(181)	(3,940)	1,272	759
Securities held for trading	(28)	(616)	1,158	(79)	531
Other assets, net	(809)	(445)	(1,298)	(530)	(3,790)
Net change in current liabilities					
Liabilities with respect to derivatives	5,229	(19)	5,081	(3,770)	(2,244)
Other liabilities	(409)	(621)	1,197	(114)	2,978
Net cash provided by current operations	10,356	(239)	12,284	(180)	14,380

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

Condensed Financial Statements

As of June 30, 2025

Condensed statements of cash flows – Continued

Reported amounts (NIS in millions)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)				(Audited)
Cash flows from investment activities					
Net change in deposits with banks	(120)	(987)	(530)	(608)	37
Net change in loans to the public	(11,389)	(7,272)	(17,328)	(10,888)	(26,888)
Net change in loans to Governments	15	43	19	81	162
Net change in securities loaned or acquired in resale agreements	(396)	(6)	(209)	(174)	(158)
Acquisition of bonds held to maturity	(268)	(147)	(273)	(281)	(291)
Proceeds from redemption of bonds held to maturity	471	27	473	183	151
Purchase of securities available for sale and shares not held for trading	(20,883)	(4,569)	(24,826)	(9,358)	(23,217)
Proceeds from sale of securities available for sale and shares not held for trading	3,484	3,187	5,772	4,665	6,527
Proceeds from redemption of securities available for sale	656	163	2,932	2,211	3,095
Proceeds from sale of loan portfolios	120	27	120	89	125
Purchase of loan portfolios – public	(606)	(302)	(935)	(1,376)	(2,300)
Acquisition of buildings and equipment	(100)	(108)	(197)	(222)	(606)
Purchase of shares in associated companies	(101)	-	(103)	(10)	(12)
Proceeds from realized investment in associated companies	1	17	2	19	22
Net cash provided by investment activities	(29,116)	(9,927)	(35,083)	(15,669)	(43,353)
Cash flows provided by financing operations					
Net change in deposits from the public	16,414	8,506	20,708	15,132	29,943
Net change in deposits from banks	595	(1,170)	(102)	(2,138)	(1,972)
Net change in deposits from Government	102	(48)	79	(33)	(22)
Issuance of bonds and subordinated notes	-	4,461	5,176	4,461	8,111
Redemption of bonds and subordinated notes	(5,539)	(954)	(5,726)	(2,373)	(9,076)
Dividends paid to shareholders	(516)	(509)	(1,038)	(718)	(1,869)
Dividends paid to external shareholders in subsidiaries	-	-	(20)	-	(35)
Net cash provided by financing operations	11,056	10,286	19,077	14,331	25,080
Increase (decrease) in cash	(7,704)	120	(3,722)	(1,518)	(3,893)
Cash balance at beginning of the period	86,228	84,439	82,088	85,957	85,957
Effect of changes in exchange rate on cash balances	(725)	152	(567)	272	24
Cash balance at end of the period	77,799	84,711	77,799	84,711	82,088
Interest and taxes paid / received					
Interest received	6,334	5,698	12,428	11,602	23,704
Interest paid	3,421	3,479	6,526	6,175	13,605
Dividends received	12	6	19	26	38
Income taxes received	8	190	331	205	205
Income taxes paid	869	1,032	1,723	1,838	3,715
Appendix A – Non-cash Transactions					
Acquisition of buildings and equipment	-	-	-	-	-

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

Note 1 – Reporting Principles and Accounting Policies

A. General

On August 13, 2025, the Bank's Board of Directors authorized publication of these Condensed Financial Statements as of June 30, 2025.

The Condensed Financial Statements have been prepared in accordance with the directives and guidelines of the Supervisor of Banks. These directives largely adopt the accounting rules accepted at banks in the United States (US GAAP). These condensed financial statements should be read in conjunction with the audited financial statements as of December 31, 2024.

In accordance with directives of the Supervisor of Banks, the condensed financial statements are issued on a consolidated basis only.

The Group accounting policies in these condensed consolidated quarterly financial statements are consistent with the policies applied in the annual financial statements, except as noted in section C. below.

B. Regulatory steps to address the increase in the credit risk in the construction and real estate industries and the housing market

On April 6, 2025, the Supervisor of Banks published a circular on revision of Proper Conduct of Banking Business Directive No. 203 regarding "Measurement and Capital Adequacy – Credit Risk—the Standardized Approach", and Directive No. 329 on "Limitations on Issuing Residential Mortgages". This circular was published in order to address the increase in the credit risk in the construction and real estate industries and the housing market due to agreements to finance residential projects where the proportion of sale contracts with a significant portion of the consideration payable to the developer is postponed to the delivery date exceeds 40% (hereinafter - "non-linear payment").

Set forth below is the Amendment to Proper Conduct of Banking Business Directive No. 203 "Measurement and Capital Adequacy":

Section 79 was revised such that the list of assets with risk weight of 150% includes (off and on-balance sheet) credit extended in respect of a new agreement to finance a residential project where the proportion of property sale contracts with non-linear payment exceeds 25% of the agreement's total property sale contracts. In respect of existing projects where the proportion of property sale contracts (in units) with non-linear payment exceeds 25% of total contracts - the credit shall be subject to risk weight of 150% only if the proportion of such contracts increases by more than 5 percentage points compared to the rate on the effective date. The above shall also apply to agreements to finance new projects, in respect of contracts signed before the construction financing started.

Set forth below is the Amendment to Proper Conduct of Banking Business Directive 329 concerning "Restrictions on provision of residential mortgages":

Section 8A was added, which limits the proportion of bullet and balloon loans, as defined in Section 1 to the Directive, which are subsidized by the developer, such that those loans will not exceed 10% of total residential mortgages extended in a calendar quarter as defined in Section 3 to Directive 451, net of general-purpose loans. With regard to this matter, transitional provisions were set whereby the abovementioned limit will not apply to bullet and balloon residential mortgages subsidized by the developer, to which the Bank has given an in-principle approval, as defined in Directive 451, prior to the Directive's effective date.

The effective date of the amendment to the directives is the circular's publication date, and it will be in effect through December 31, 2026.

As of June 30, 2025, the revision of the Directive has no material effect on the Bank's capital adequacy ratios, and it is not expected to have a material effect at a later stage.

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

As from reporting periods starting on January 1, 2025, the Bank applies the following new accounting standards and directives:

1. Regulation revision ASU 2024-01 on the applicability of Topic 718 on awards of rights to profits and similar bonuses.

Note 1 – Reporting Principles and Accounting Policies – continued

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

1. Regulation revision ASU 2024-01 on the applicability of Topic 718 on awards of rights to profits and similar bonuses.

On March 21, 2024, the Financial Accounting Standards Board ("FASB") issued ASU 2024-01 on the incidence of Subject 718 on the codification of profit interest awards and similar bonuses granted to employees and to non-working parties (hereinafter: "the Update").

This revision clarifies the accounting treatment that should be applied to profit interest awards - remuneration, which confers upon employees or partners the right to participate in the organization's future profits, but not in rights to the Company's existing assets. The revision does not change the existing recognition and measurement rules; rather, it adds clear examples that are designed to assist entities in deciding whether such remuneration falls within the scope of Topic 718 of the codification, and implement them if the conditions listed in the standard are met.

The provisions of the revision shall be applied prospectively as from annual and interim periods starting after December 15, 2024.

Application of these directives had no material impact on the financial statements.

D. New accounting standards and new directives by the Supervisor of Banks prior to their implementation

Amendment	Publication requirements	Start date and transition provisions	Implications
Revisions to standards ASU 2023-09 regarding improvement to disclosure requirements concerning taxes on income	On December 14, 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-09 regarding improvement to disclosure requirements concerning taxes on income (hereinafter: "the Update"). The revisions included in this update add new improved disclosure requirements and eliminate certain disclosure requirements.	As from the 2025 financial reporting.	No material impact is expected on the financial statements.
Revisions to standards ASU 2024-03 regarding Disaggregation of Income Statement Expenses	In November 2024, the Financial Accounting Standards Board ("FASB") issued ASU 2024-03 regarding the disaggregation of selected income statement expenses in a separate note (hereinafter: "the Update"). The key requirements of the Update include, among other things: • To provide a disaggregated quantitative disclosure - in tabular format - of certain types of expenses, which are included in each relevant expense caption in the main reports, including employee compensation, depreciation of fixed asset items and amortization of intangible. • Qualitative description of amounts that were not separately disaggregated quantitatively.	In conformity with directives of the Supervisor of Banks	No material impact is expected on the financial statements.
Update to Proper Conduct of Banking Business Directive 206 Capital Measurement and Adequacy – Operational Risk	On June 19, 2024, the Bank Supervisor published a circular that updates the guidelines for calculating capital requirements for operating risk. The update includes guidelines for calculating risk assets weighted for operating risks as well as guidelines pertaining to historical loss data.	As from January 1, 2026	The revision is expected to result in a certain decrease in the Bank's risk-weighted assets.

Notes to condensed financial statements

As of June 30, 2025

Note 2 – Interest revenues and expenses

Reported amounts (NIS in millions)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		(Audited)
a. Interest revenues⁽¹⁾					
From loans to the public	6,074	5,899	11,248	10,667	21,523
From loans to Governments	3	7	7	13	22
from cash and deposits with central banks	815	862	1,599	1,714	3,334
From deposits with banks	11	16	21	22	55
Of securities borrowed or purchased in resale agreements	6	3	8	5	12
From bonds	273	273	495	395	852
Total interest revenues	7,182	7,060	13,378	12,816	25,798
b. Interest expenses					
On deposits from the public	3,479	3,229	6,555	6,051	12,304
On deposits from governments	-	-	1	1	2
On deposits from banks	16	25	38	48	82
On bonds and subordinated notes	579	565	864	770	1,528
On other liabilities	15	21	28	41	68
Total interest expenses	4,089	3,840	7,486	6,911	13,984
Total interest revenues, net	3,093	3,220	5,892	5,905	11,814
c. Net Effect of Hedging Financial Derivatives on Interest Revenues	(69)	75	(121)	81	109
d. Details of interest revenues on accrual basis from bonds					
Held to maturity	29	33	56	56	116
Available for sale	233	228	421	317	723
Held for trading	11	12	18	22	13
Total included under interest revenues	273	273	495	395	852

(1) Including the effect of hedges.

Notes to condensed financial statements

As of June 30, 2025

Note 3 – Non-interest financing revenues

Reported amounts (NIS in millions)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
a. Non-interest financing revenues (expenses) with respect to non-trading operations					
1. From activity in derivative instruments					
Net revenues (expenses) with respect to ALM derivative instruments ⁽¹⁾	(2,043)	342	(1,406)	911	91
Total from activity in derivative instruments	(2,043)	342	(1,406)	911	91
2. From investment in bonds					
Gains (losses) from sale of bonds available for sale	5	(5)	-	(22)	(64)
Provision for impairment of bonds available for sale	(1)	-	(9)	-	(1)
Total from investment in bonds	4	(5)	(9)	(22)	(65)
3. Exchange rate differences, net	2,014	(453)	1,428	(746)	108
4. Gains from investment in shares					
Gains from sale of shares not held for trading	6	31	16	33	39
Provision for impairment of shares not held for trading	-	(4)	36	(4)	(5)
Dividends from shares not held for trading	12	6	19	26	38
Unrealized gains (losses) ⁽³⁾	33	(22)	29	(6)	74
Total from investment in shares	51	11	100	49	146
Total non-interest financing revenues with respect to non-trading purposes	26	(105)	113	192	280
b. Non-interest financing revenues (expenses) with respect to trading operations⁽²⁾					
Net revenues with respect to other derivatives	12	121	65	146	251
Realized and un-realized gains from adjustment to fair value of bonds held for trading, net	-	11	1	33	40
Realized and un-realized gains (losses) from adjustment to fair value of shares held for trading, net	5	(1)	6	-	3
Total from trading activity⁽⁴⁾	17	131	72	179	294
Details of non-interest financing revenues (expenses) with respect to trading operations, by risk exposure					
Interest exposure	10	68	32	81	168
Foreign currency exposure	7	61	41	96	116
Exposure to shares	-	2	(1)	2	10
Exposure to commodities and others	-	-	-	-	-
Total	17	131	72	179	294

(1) Derivative instruments which constitute part of the Bank's asset and liability management system, which were not designated as hedges.

(2) Includes exchange rate differentials resulting from trading operations.

(3) Including gains / losses from measurement at fair value of shares for which fair value is available, and upward / downward adjustment of shares for which no fair value is available.

(4) For interest revenues from investments in bonds held for trading, see Note 2.D.

Notes to condensed financial statements

As of June 30, 2025

Note 4 – Cumulative other comprehensive income (loss)

Reported amounts (NIS in millions)

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

	Other comprehensive income (loss), before attribution to non-controlling interests						
	Adjustments for presentation of available-for-sale bonds at fair value	Translation adjustments ⁽¹⁾	Net gains (losses) from cash flow hedges	Adjustments with respect to employees' benefits ⁽²⁾	Total	Other comprehensive income attributable to non-controlling interests	Other comprehensive income (loss) attributable to shareholders of the Bank
	For the three months ended June 30, 2025						
	(Unaudited)						
Balance as of March 31, 2025	(229)	(2)	5	27	(199)	(16)	(183)
Net change in the period	113	-	(1)	(45)	67	3	64
Balance as of June 30, 2025	(116)	(2)	4	(18)	(132)	(13)	(119)
	For the three months ended June 30, 2024						
	(Unaudited)						
Balance as of March 31, 2024	(301)	(2)	2	(87)	(388)	(32)	(356)
Net change in the period	(151)	-	-	90	(61)	3	(64)
Balance as of June 30, 2024	(452)	(2)	2	3	(449)	(29)	(420)
	For the six months ended June 30, 2025						
	(Unaudited)						
Balance as of December 31, 2024	(222)	(2)	5	(15)	(234)	(19)	(215)
Net change in the period	106	-	(1)	(3)	102	6	96
Balance as of June 30, 2025	(116)	(2)	4	(18)	(132)	(13)	(119)
	For the six months ended June 30, 2024						
	(Unaudited)						
Balance as of December 31, 2023	(356)	(2)	3	(89)	(444)	(34)	(410)
Net change in the period	(96)	-	(1)	92	(5)	5	(10)
Balance as of June 30, 2024	(452)	(2)	2	3	(449)	(29)	(420)
	For the year ended December 31, 2024						
	(Audited)						
Balance as of December 31, 2023	(356)	(2)	3	(89)	(444)	(34)	(410)
Net change in the period	134	-	2	74	210	15	195
Balance as of December 31, 2024	(222)	(2)	5	(15)	(234)	(19)	(215)

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

(2) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve.

Note 4 – Cumulative other comprehensive income (loss) – continued

Reported amounts (NIS in millions)

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

	For the three months ended June 30					
	2025			2024		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	(Unaudited)					
Change in items of other comprehensive income (loss), before attribution to non-controlling interests:						
Adjustments for presentation of available-for-sale bonds at fair value						
Net unrealized gains (losses) from adjustments to fair value	173	(57)	116	(228)	74	(154)
Losses (gains) with respect to available-for-sale securities reclassified to the statement of profit and loss ⁽¹⁾	(4)	1	(3)	5	(2)	3
Net change in the period	169	(56)	113	(223)	72	(151)
Cash flows hedges						
Net gains (losses) with respect to cash flows hedging	(1)	-	(1)	(1)	1	-
Net (gains) losses with respect to cash flow hedges reclassified to the statement of profit and loss	-	-	-	-	-	-
Net change in the period	(1)	-	(1)	(1)	1	-
Employees' benefits						
Net actuarial gain (loss) for the period ⁽²⁾	(72)	23	(49)	117	(41)	76
Net losses (gains) reclassified to the statement of profit and loss	5	(1)	4	21	(7)	14
Net change in the period	(67)	22	(45)	138	(48)	90
Total net change in the period	101	(34)	67	(86)	25	(61)
Total net change in the period attributable to non-controlling interests	4	(1)	3	5	(2)	3
Total net change in the period attributable to shareholders of the Bank	97	(33)	64	(91)	27	(64)

(1) Pre-tax amount included in the statement of profit and loss under "Non-interest financing revenues". For details, see Note 3.A.2.

(2) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve.

Notes to condensed financial statements

As of June 30, 2025

Note 4 – Cumulative other comprehensive income (loss) – continued

Reported amounts (NIS in millions)

B. Changes in items of cumulative other comprehensive income (loss) before and after tax effect – continued

	For the six months ended June 30						For the year ended December 31		
	2025			2024			2024		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	(Unaudited)						(Audited)		
Change in items of other comprehensive income (loss), before attribution to non-controlling interests:									
Adjustments for presentation of available-for-sale bonds at fair value									
Net unrealized gains (losses) from adjustments to fair value	148	(48)	100	(164)	54	(110)	140	(49)	91
Losses (gains) with respect to available-for-sale securities reclassified to the statement of profit and loss ⁽¹⁾	9	(3)	6	22	(8)	14	65	(22)	43
Net change in the period	157	(51)	106	(142)	46	(96)	205	(71)	134
Cash flows hedges									
Net gains (losses) with respect to cash flows hedging	(1)	-	(1)	(2)	1	(1)	3	(1)	2
Net change in the period	(1)	-	(1)	(2)	1	(1)	3	(1)	2
Employees' benefits									
Net actuarial gain (loss) for the period ⁽²⁾	(14)	4	(10)	120	(43)	77	84	(26)	58
Net losses reclassified to the statement of profit and loss	10	(3)	7	23	(8)	15	25	(9)	16
Net change in the period	(4)	1	(3)	143	(51)	92	109	(35)	74
Total net change in the period	152	(50)	102	(1)	(4)	(5)	317	(107)	210
Total net change in the period attributable to non-controlling interests	9	(3)	6	8	(3)	5	23	(8)	15
Total net change in the period attributable to shareholders of the Bank	143	(47)	96	(9)	(1)	(10)	294	(99)	195

(1) Pre-tax amount included in the statement of profit and loss under "Non-interest financing revenues". For details, see Note 3.A.2.

(2) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve.

Notes to condensed financial statements

As of June 30, 2025

Note 5 – Securities

June 30, 2025 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized		Fair value ⁽¹⁾
				Gains	Losses	
(1) Bonds held to maturity						
of Government of Israel	3,303	3,303	-	8	(85)	3,226
Of financial institutions in Israel	225	225	-	4	(8)	221
Of others in Israel	82	82	-	-	(2)	80
Total bonds held to maturity	3,610	3,610	-	12	(95)	3,527
	Carrying amount	Amortized cost	Balance of provision for credit losses	Cumulative other comprehensive income ⁽⁴⁾		Fair value ⁽¹⁾
				Gains	Losses	
(2) Bonds available for sale						
of Government of Israel	13,206	13,342	-	158	(294)	13,206
of foreign governments ⁽³⁾	9,953	9,950	-	4	(1)	9,953
Of financial institutions in Israel	771	780	-	14	(23)	771
Of foreign financial institutions	74	76	-	-	(2)	74
Asset-backed (ABS)	53	53	-	-	-	53
Of others in Israel	982	997	(8)	14	(21)	982
Of others overseas	142	139	-	5	(2)	142
Total bonds available for sale	25,181	25,337	(8)	195	(343)	25,181
	Carrying amount	Cost	Balance of provision for credit losses	Adjustments to fair value yet to be realized ⁽⁵⁾		Fair value ⁽¹⁾
				Gains	Losses	
(3) Investment in shares not held for trading						
	1,002	841	-	171	(10)	1,002
Of which: Shares for which no fair value is available ⁽⁶⁾	682	686	-	-	(4)	682
Total securities not held for trading	29,793	29,788	(8)	378	(448)	29,710

See footnotes below.

Note 5 – Securities – continued

June 30, 2025 (unaudited)

Reported amounts (NIS in millions)

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized ⁽⁵⁾		Fair value ⁽¹⁾
				Gains	Losses	
(4) Bonds held for trading						
of Government of Israel	9,627	9,443	-	193	(9)	9,627
Of foreign governments	227	227	-	2	(2)	227
Of financial institutions in Israel	-	-	-	-	-	-
Of others in Israel	8	8	-	-	-	8
Of others overseas	26	27	-	-	(1)	26
Total bonds held for trading	9,888	9,705	-	195	(12)	9,888
Shares and other securities	23	11	-	12	-	23
Total securities held for trading⁽⁷⁾	9,911	9,716	-	207	(12)	9,911
Total securities⁽²⁾						
	39,704	39,504	(8)	585	(460)	39,621

(5) Additional information about bonds

Recorded debt balance of	
Problematic bonds accruing interest	
revenues	-
Problematic bonds not accruing interest	
revenues	16
	16

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

(2) Of which: Securities pledged to lenders, amounting to NIS 714 million and securities provided as collateral to lenders, amounting to NIS 386 million.

(3) US government bonds.

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

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

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

(7) Of which NIS 100 million in securities, which were classified as securities held for trading, since the banking corporation opted to measure them in accordance with the fair value alternative in Section 20 to the Public Reporting Directives, despite the fact that they were not purchased for trading purposes.

Remarks:

- For information about results of investments in bonds, see Notes 2D, 3A.2 and 3B to the financial statements. For more information about investments in shares – see Note 3A.4 to the financial statements.
- The distinction between Israeli and foreign bonds was made in conformity with the country of residence of the authority which issued the security.

Notes to condensed financial statements

As of June 30, 2025

Note 5 – Securities – continued

June 30, 2024 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized		Fair value ⁽¹⁾
				Gains	Losses	
(1) Bonds held to maturity						
of Government of Israel	3,361	3,361	-	1	(144)	3,218
Of financial institutions in Israel	296	296	-	-	(16)	280
Of others in Israel	105	105	-	2	(3)	104
Total bonds held to maturity	3,762	3,762	-	3	(163)	3,602
	Carrying amount	Amortized cost	Balance of provision for credit losses	Cumulative other comprehensive income ⁽⁴⁾		Fair value ⁽¹⁾
				Gains	Losses	
(2) Bonds available for sale						
of Government of Israel	10,817	11,375	-	16	(574)	10,817
of foreign governments ⁽³⁾	573	577	-	-	(4)	573
Of financial institutions in Israel	554	591	-	7	(44)	554
Of foreign financial institutions	162	168	-	1	(7)	162
Asset-backed (ABS)	56	61	-	-	(5)	56
Of others in Israel	1,045	1,096	(8)	11	(54)	1,045
Of others overseas	170	169	-	4	(3)	170
Total bonds available for sale	13,377	14,037	(8)	39	(691)	13,377
	Carrying amount	Cost	Balance of provision for credit losses	Adjustments to fair value yet to be realized ⁽⁵⁾		Fair value ⁽¹⁾
				Gains	Losses	
(3) Investment in shares not held for trading						
	729	701	-	45	(17)	729
Of which: Shares for which no fair value is available ⁽⁶⁾	504	490	-	14	-	504
Total securities not held for trading	17,868	18,500	(8)	87	(871)	17,708

See footnotes below.

Notes to condensed financial statements

As of June 30, 2025

Note 5 – Securities – continued

June 30, 2024 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized ⁽⁵⁾		Fair value ⁽¹⁾
				Gains	Losses	
(4) Bonds held for trading						
of Government of Israel	7,126	7,369	-	-	(243)	7,126
Of foreign governments	305	309	-	-	(4)	305
Of financial institutions in Israel	6	6	-	-	-	6
Of others in Israel	23	22	-	2	(1)	23
Of others overseas	26	26	-	-	-	26
Total bonds held for trading	7,486	7,732	-	2	(248)	7,486
Shares and other securities	16	16	-	3	(3)	16
Total securities held for trading	7,502	7,748	-	5	(251)	7,502
Total securities⁽²⁾	25,370	26,248	(8)	92	(1,122)	25,210
(5) Additional information about bonds						
Recorded debt balance of						
Problematic bonds accruing interest revenues						-
Problematic bonds not accruing interest revenues						18
						18

- (1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.
- (2) Of which: Securities pledged to lenders, amounting to NIS 436 million and securities provided as collateral to lenders, amounting to NIS 310 million.
- (3) US government bonds.
- (4) Included in shareholders' equity in "adjustments on presentation of bonds available for sale at fair value".
- (5) Charged to statement of profit and loss but not yet realized.
- (6) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

Remarks:

- For information about results of investments in bonds, see Notes 2D, 3A.2 and 3B to the financial statements. For more information about investments in shares – see Note 3A.4 to the financial statements.
- The distinction between Israeli and foreign bonds was made in conformity with the country of residence of the authority which issued the security.

Notes to condensed financial statements

As of June 30, 2025

Note 5 – Securities – continued

As of December 31, 2024 (audited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized		Fair value ⁽¹⁾
				Gains	Losses	
(1) Bonds held to maturity						
of Government of Israel	3,287	3,287	-	6	(109)	3,184
Of financial institutions in Israel	253	253	-	-	(11)	242
Of others in Israel	84	84	-	3	(2)	85
Total bonds held to maturity	3,624	3,624	-	9	(122)	3,511
	Carrying amount	Amortized cost	Balance of provision for credit losses	Cumulative other comprehensive income ⁽⁴⁾		Fair value ⁽¹⁾
				Gains	Losses	
(2) Bonds available for sale						
of Government of Israel	11,901	12,168	-	91	(358)	11,901
of foreign governments ⁽³⁾	1,811	1,813	-	-	(2)	1,811
Of financial institutions in Israel	545	565	-	9	(29)	545
Of foreign financial institutions	138	141	-	1	(4)	138
Asset-backed (ABS)	56	57	-	-	(1)	56
Of others in Israel	1,100	1,122	(8)	16	(30)	1,100
Of others overseas	170	168	-	4	(2)	170
Total bonds available for sale	15,721	16,034	(8)	121	(426)	15,721
	Carrying amount	Cost	Balance of provision for credit losses	Adjustments to fair value yet to be realized ⁽⁵⁾		Fair value ⁽¹⁾
				Gains	Losses	
(3) Investment in shares not held for trading						
	878	710	-	177	(9)	878
Of which: Shares for which no fair value is available ⁽⁶⁾	582	568	-	14	-	582
Total securities not held for trading	20,223	20,368	(8)	307	(557)	20,110

See footnotes below.

Note 5 – Securities – continued

As of December 31, 2024 (audited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized ⁽⁵⁾		Fair value ⁽¹⁾
				Gains	Losses	
(4) Bonds held for trading						
of Government of Israel	8,057	7,813	-	257	(13)	8,057
Of foreign governments	150	156	-	-	(6)	150
Of financial institutions in Israel	1	1	-	-	-	1
Of others in Israel	16	14	-	2	-	16
Of others overseas	24	24	-	-	-	24
Total bonds held for trading	8,248	8,008	-	259	(19)	8,248
Shares and other securities	20	16	-	7	(3)	20
Total securities held for trading	8,268	8,024	-	266	(22)	8,268
Total securities⁽²⁾	28,491	28,392	(8)	573	(579)	28,378
(5) Additional information about bonds						
Recorded debt balance of						
Problematic bonds accruing interest revenues						-
Problematic bonds not accruing interest revenues						8
						8

- (1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.
- (2) Of which: Securities pledged to lenders, amounting to NIS 935 million and securities provided as collateral to lenders, amounting to NIS 52 million.
- (3) US government bonds.
- (4) Included in shareholders' equity in "adjustments on presentation of bonds available for sale at fair value".
- (5) Charged to statement of profit and loss but not yet realized.
- (6) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

Remarks:

- For more information about operations involving investments in bonds – see Notes 2.D, 3.A.2 and 3.B. For more information of investments in shares – see Note 3.A.4.
- The distinction between Israeli and foreign bonds was made in conformity with the country of residence of the entity which issued the securities.

Notes to condensed financial statements

As of June 30, 2025

Note 5 – Securities – continued

Reported amounts (NIS in millions):

(6) Fair value and unrealized losses, by time period and impairment rate, of bonds available for sale, which include unrealized loss without provision for credit losses:

	Less than 12 months				12 months or more				
	Unrealized losses				Unrealized losses				
	Fair value ⁽¹⁾	0%-20%	20%-40%	Total	Fair value ⁽¹⁾	0%-20%	20%-40%	Over 40%	Total
As of June 30, 2025 (unaudited)									
Bonds available for sale									
of Government of Israel	1,961	31	-	31	2,384	188	46	29	263
of foreign governments ⁽²⁾	332	-	-	-	54	1	-	-	1
Of financial institutions in Israel	23	-	-	-	330	23	-	-	23
Of foreign financial institutions	3	-	-	-	54	2	-	-	2
Asset-backed (ABS)	-	-	-	-	-	-	-	-	-
Of others in Israel	79	12	-	12	355	9	-	-	9
Of others overseas	15	-	1	1	35	1	-	-	1
Total bonds available for sale	2,413	43	1	44	3,212	224	46	29	299
As of June 30, 2024 (unaudited)									
Bonds available for sale									
of Government of Israel	4,287	97	-	97	4,371	312	135	30	477
of foreign governments ⁽²⁾	262	-	-	-	53	4	-	-	4
Of financial institutions in Israel	189	3	-	3	349	38	3	-	41
Of foreign financial institutions	2	1	-	1	95	6	-	-	6
Asset-backed (ABS)	-	-	-	-	56	5	-	-	5
Of others in Israel	262	21	-	21	500	32	1	-	33
Of others overseas	23	-	-	-	103	3	-	-	3
Total bonds available for sale	5,025	122	-	122	5,527	400	139	30	569
As of December 31, 2024 (audited)									
Bonds available for sale									
of Government of Israel	5,413	31	-	31	1,658	249	52	26	327
Of foreign governments ⁽²⁾	-	-	-	-	52	2	-	-	2
Of financial institutions in Israel	18	1	-	1	317	28	-	-	28
Of foreign financial institutions	24	-	-	-	73	4	-	-	4
Asset-backed (ABS)	-	-	-	-	56	1	-	-	1
Of others in Israel	32	13	-	13	486	17	-	-	17
Of others overseas	3	-	-	-	73	2	-	-	2
Total bonds available for sale	5,490	45	-	45	2,715	303	52	26	381

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

(2) US government bonds.

Note 5 – Securities – continued

Reported amounts (NIS in millions):

(7) Asset-backed securities

	Carrying amount	Amortized cost	Cumulative other comprehensive income		Fair value
			Gains	Losses	
			As of June 30, 2025 (unaudited)		
Asset-backed bonds (ABS)	53	53	-	-	53
Total asset-backed bonds available for sale	53	53	-	-	53
			As of June 30, 2024 (unaudited)		
Asset-backed bonds (ABS)	56	61	-	(5)	56
Total asset-backed bonds available for sale	56	61	-	(5)	56
			As of December 31, 2024 (audited)		
Asset-backed bonds (ABS)	56	57	-	(1)	56
Total asset-backed bonds available for sale	56	57	-	(1)	56

Notes to condensed financial statements

As of June 30, 2025

Note 6 – Credit risk, loans to the public and provision for credit losses

Reported amounts (NIS in millions)

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

	June 30, 2025 (unaudited)					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Individual – other	Total		
Recorded debt balance:						
reviewed on individual basis	106,092	-	18	106,110	52,307	158,417
reviewed on group basis	14,066	233,221	27,302	274,589	-	274,589
Total debts	120,158	(2)233,221	27,320	380,699	52,307	433,006
Of which:						
Non-accruing debts	1,609	2,245	73	3,927	1	3,928
Debts in arrears 90 days or longer	84	-	57	141	-	141
Other problematic debts	970	-	142	1,112	-	1,112
Total problematic debts	2,663	2,245	272	5,180	1	5,181
Balance of provision for credit losses with respect to debts:						
reviewed on individual basis	1,671	-	1	1,672	13	1,685
reviewed on group basis	529	1,143	683	2,355	-	2,355
Total provision for credit losses	2,200	1,143	684	4,027	13	4,040
Of which: With respect to non-accruing debts	340	112	42	494	1	495
Of which: With respect to other problematic debts	178	-	82	260	-	260

	June 30, 2024 (unaudited)					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Individual – other	Total		
Recorded debt balance:						
reviewed on individual basis	87,746	-	26	87,772	43,552	131,324
reviewed on group basis	13,587	213,474	26,979	254,040	-	254,040
Total debts	101,333	(2)213,474	27,005	341,812	43,552	385,364
Of which:						
Non-accruing debts	1,552	2,127	88	3,767	1	3,768
Debts in arrears 90 days or longer	86	-	38	124	-	124
Other problematic debts	1,537	-	124	1,661	-	1,661
Total problematic debts	3,175	2,127	250	5,552	1	5,553
Balance of provision for credit losses with respect to debts:						
reviewed on individual basis	1,661	-	2	1,663	12	1,675
reviewed on group basis	622	1,161	668	2,451	-	2,451
Total provision for credit losses	2,283	1,161	670	4,114	12	4,126
Of which: With respect to non-accruing debts	381	109	60	550	1	551
Of which: With respect to other problematic debts	271	-	72	343	-	343

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

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 15,263 million (as of June 30, 2024 – NIS 14,310 million).

Notes to condensed financial statements

As of June 30, 2025

Note 6 – Credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions):

A. Debts⁽¹⁾, bonds held to maturity and available for sale, loans to the public and balance of provision for credit losses – continued

	As of December 31, 2024 (audited)					
	Loans to the public			Total	Banks, governments and bonds	Total
	Commercial	Housing	Individual – other			
Recorded debt balance:						
reviewed on individual basis	95,331	-	25	95,356	43,606	138,962
reviewed on group basis	13,950	225,364	27,424	266,738	-	266,738
Total debts	109,281	(2)225,364	27,449	362,094	43,606	405,700
Of which:						
Non-accruing debts	2,019	2,141	83	4,243	1	4,244
Debts in arrears 90 days or longer	82	-	63	145	-	145
Other problematic debts	1,257	-	126	1,383	-	1,383
Total problematic debts	3,358	2,141	272	5,771	1	5,772
Balance of provision for credit losses with respect to debts:						
reviewed on individual basis	1,718	-	2	1,720	12	1,732
reviewed on group basis	541	1,180	672	2,393	-	2,393
Total provision for credit losses	2,259	1,180	674	4,113	12	4,125
Of which: With respect to non-accruing debts	403	107	48	558	1	559
Of which: With respect to other problematic debts	215	-	79	294	-	294

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

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 14,905 million.

Notes to condensed financial statements

As of June 30, 2025

Note 6 – Credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions):

B. Change in balance of provision for credit losses

	Provision for credit losses					
	Loans to the public				Banks	
	Commercial	Housing	Individual – other	Total	governments and bonds	Total
	For the three months ended June 30, 2025 (unaudited)					
Balance of provision for credit losses at start of period	2,443	1,179	708	4,330	12	4,342
Expenses due to credit losses	24	(3)	34	55	1	56
Accounting write-offs ⁽¹⁾	(148)	-	(79)	(227)	-	(227)
Collection of debts written off for accounting purposes in previous years ⁽¹⁾	70	-	41	111	-	111
Net accounting write-offs	(78)	-	(38)	(116)	-	(116)
Balance of provision for credit losses at end of period	2,389	1,176	704	4,269	13	4,282
Of which: With respect to off balance sheet credit instruments	189	33	20	242	-	242
	For the three months ended June 30, 2024 (unaudited)					
Balance of provision for credit losses at start of period	2,437	1,171	702	4,310	11	4,321
Expenses due to credit losses	66	12	30	108	1	109
Accounting write-offs ⁽¹⁾	(100)	-	(77)	(177)	-	(177)
Collection of debts written off for accounting purposes in previous years ⁽¹⁾	74	-	36	110	-	110
Net accounting write-offs	(26)	-	(41)	(67)	-	(67)
Balance of provision for credit losses at end of period	2,477	1,183	691	4,351	12	4,363
Of which: With respect to off balance sheet credit instruments	194	22	21	237	-	237
	For the six months ended June 30, 2025 (unaudited)					
Balance of provision for credit losses at start of period	2,448	1,213	697	4,358	12	4,370
Expenses due to credit losses	107	(37)	88	158	1	159
Accounting write-offs ⁽¹⁾	(274)	-	(165)	(439)	-	(439)
Collection of debts written off for accounting purposes in previous years ⁽¹⁾	108	-	84	192	-	192
Net accounting write-offs	(166)	-	(81)	(247)	-	(247)
Balance of provision for credit losses at end of period	2,389	1,176	704	4,269	13	4,282
Of which: With respect to off balance sheet credit instruments	189	33	20	242	-	242
	For the six months ended June 30, 2024 (unaudited)					
Balance of provision for credit losses at start of period	2,419	1,149	702	4,270	11	4,281
Expenses due to credit losses	175	34	74	283	1	284
Accounting write-offs ⁽¹⁾	(220)	-	(155)	(375)	-	(375)
Collection of debts written off for accounting purposes in previous years ⁽¹⁾	103	-	70	173	-	173
Net accounting write-offs	(117)	-	(85)	(202)	-	(202)
Balance of provision for credit losses at end of period	2,477	1,183	691	4,351	12	4,363
Of which: With respect to off balance sheet credit instruments	194	22	21	237	-	237

(1) Accounting write-offs presented in the Note primarily consist of write-offs of a technical nature, due to passage of time of customers being in arrears, in conformity with US standards applicable to the Bank in this regard. Thus, for example, the balance of the provision for large non-accruing debts will typically be written off after two years. Debt measured on a group basis will be written off after 150 days in arrears. This means that the Bank's collection efforts may sometimes take longer when compared to the timing for write-off according to accounting rules. Consequently, relatively high balances of "accounting write-offs" and relatively high balances of "Recovery of debts written off in previous years" are presented.

Note 7 – Deposits from the Public

Reported amounts (NIS in millions):

A. Deposit types by location solicited and depositor type

	June 30	December 31	
	2025	2024	2024
	(Unaudited)	(Audited)	(Audited)
In Israel			
On-call			
Non-interest-bearing	75,592	79,176	80,956
Interest-bearing	39,175	33,734	37,375
Total on-call	114,767	112,910	118,331
Term deposits	285,879	246,646	258,026
Total deposits in Israel⁽¹⁾	400,646	359,556	376,357
Outside of Israel			
On-call			
Non-interest-bearing	422	491	440
Interest-bearing	440	152	673
Total on-call	862	643	1,113
Term deposits	15,886	13,380	15,913
Total deposits overseas	16,748	14,023	17,026
Total deposits from the public	417,394	373,579	393,383
(1) Includes:			
Deposits from individuals	167,042	166,219	164,434
Deposits from institutional investors	108,247	83,480	94,923
Deposits from corporations and others	125,357	109,857	117,000

B. Deposits from the public by size

	June 30	December 31	
	2025	2024	2024
	(Unaudited)	(Audited)	(Audited)
Maximum deposit (NIS in millions)			
Up to 1	112,674	109,945	108,574
Over 1 to 10	97,047	94,878	95,547
Over 10 to 100	43,349	44,860	45,023
Over 100 to 500	34,689	32,942	36,198
Above 500	129,635	90,954	108,041
Total	417,394	373,579	393,383

Note 8 – Employees' Rights

Description of benefits

1. Employment terms of the vast majority of Bank Group employees and managers are determined by provisions of collective bargaining agreements. Pension liabilities to these employees, except for Bank Yahav employees, are covered by regular deposits to pension, provident and severance-pay funds, which release the Bank from severance-pay liabilities for those employees by law. For more information about various benefits to Bank employees and managers, see Note 22 to the 2024 financial statements.
2. Remuneration policy for Bank officers and for all Bank employees other than officers
For more information about remuneration policy for Bank officers and remuneration policy for all Bank employees other than officers, see Note 22 to the 2024 financial statements.
3. Net benefit cost components recognized in profit and loss with respect to defined benefit and defined contribution pension plans (NIS in millions):

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
	(Unaudited)		(Unaudited)		(Audited)
Under payroll and associated expenses					
Cost of service ⁽¹⁾	18	17	37	33	68
Under other expenses					
Cost of interest ⁽²⁾	28	28	55	55	113
Expected return on plan assets ⁽³⁾	(7)	(6)	(13)	(12)	(26)
Deduction of non-allowed amounts:					
Net actuarial loss ⁽⁴⁾	5	21	10	23	25
Total under other expenses	26	43	52	66	112
Total benefit cost, net	44	60	89	99	180
Total expense with respect to defined-contribution pension	56	54	112	107	217
Total expenses recognized in profit and loss	100	114	201	206	397

	Forecast	Actual deposits		For the six months ended June 30		For the year ended December 31
	For ⁽⁵⁾	For the three months ended June 30		2025	2024	2024
	2025	2025	2024	(Unaudited)		(Audited)
Deposits	3	2	2	4	4	7

(1) Cost of service is the current accrual of the future employee benefit in the period.

(2) Cost of interest is the amount recognized in the period, set based on the increase in obligation with respect to expected benefit due to passage of time.

(3) Expected return is the expected return on plan assets, determined based on expected long-term rates of return on plan assets and based on the established market value of plan assets.

(4) Deduction of net gain or loss previously recognized in Cumulative Other Comprehensive Income.

(5) Estimated contributions expected to be paid into defined-benefit pension plans through 2025.

Note 9 – Capital Adequacy, liquidity and leverage

Reported amounts (NIS in millions)

A. Capital adequacy

Calculated in accordance with Proper Conduct of Banking Business Directives 201-211 "Measurement and Capital Adequacy"

	As of June 30	As of December 31	
	2025	2024	2024
	(Unaudited)	(Audited)	
1. Consolidated data			
a. Capital for purpose of calculating the capital ratio			
Tier I equity ⁽¹⁾	33,591	30,252	31,963
Tier I capital ⁽¹⁾	33,591	30,252	31,963
Tier II capital	9,158	9,289	9,097
Total capital	42,749	39,541	41,060
b. Weighted risk asset balances			
Credit risk	296,409	265,789	282,287
Market risks	2,245	1,820	1,675
Operational Risk	24,003	22,199	23,402
Total weighted risk asset balances	322,657	289,808	307,364
c. Ratio of capital to risk components			
			In %
Ratio of Tier I equity to risk components	10.41	10.44	10.40
Ratio of Tier I capital to risk components	10.41	10.44	10.40
Ratio of total capital to risk components	13.25	13.64	13.36
Minimum Tier I equity ratio required by Supervisor of Banks ⁽²⁾	9.60	9.60	9.60
Total minimum capital ratio required by the Supervisor of Banks	12.50	12.50	12.50
2. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Ratio of Tier I equity to risk components	13.66	12.40	12.87
Ratio of Tier I capital to risk components	13.66	12.40	12.87
Ratio of total capital to risk components	15.85	14.59	15.03
Minimum Tier I capital ratio required by Supervisor of Banks	9.00	9.00	9.00
Total minimum capital ratio required by the Supervisor of Banks	12.50	12.50	12.50

(1) These data include supervisory adjustments with respect to the following: Streamlining programs, charged equally over 5 years as from the start date thereof, effect of initial application of accounting principles with regard to expected credit losses and with respect to initial application of the Bank of Israel circular regarding weighting of loans subject to increased risk for purchase of land. For more information see section A.3 and A.4.

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

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

A. Capital adequacy – continued

Calculated in accordance with Proper Conduct of Banking Business Directives 201-211 "Measurement and Capital Adequacy" – continued

	As of		As of
	June 30	December 31	
	2025	2024	2024
	(Unaudited)	(Audited)	
3. Capital components for calculating the capital ratio (on consolidated data)			
a. Tier I equity			
Shareholders' equity	34,647	30,813	32,729
Differences between shareholders' equity and Tier I equity	(926)	(767)	(847)
Tier I equity before regulatory adjustments and deductions	33,721	30,046	31,882
Supervisory adjustments and deductions:			
Goodwill and intangible assets	(97)	(117)	(107)
Supervisory adjustments and other deductions ⁽¹⁾	(33)	234	99
Total supervisory adjustments and deductions, before adjustments with respect to the streamlining plan before adjustments for expected credit losses – Tier I equity	(130)	117	(8)
Total adjustments for expected credit losses	-	89	89
Total Tier I equity after supervisory adjustments and deductions	33,591	30,252	31,963
b. Tier II capital			
Tier II capital: Instruments, before deductions	5,453	5,967	5,568
Tier II capital: Provisions, before deductions	3,705	3,391	3,598
Total Tier II capital, before deductions	9,158	9,358	9,166
Deductions:			
Deductions – Total adjustments for expected credit losses	-	(69)	(69)
Total Tier II capital	9,158	9,289	9,097
Total capital	42,749	39,541	41,060

4. Impact of adjustments due to expected credit losses on ratio of Tier I capital:

	As of		As of
	June 30	December 31	
	2025	2024	2024
			In %
Ratio of capital to risk components			
Ratio of Tier I equity to risk components, before effect of adjustments	10.41	10.40	10.37
Effect of adjustments for expected credit losses	-	0.04	0.03
Ratio of Tier I equity to risk components	10.41	10.44	10.40

(1) Includes deferred credit balance from acquisition of Union Bank.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

B. Leverage ratio

Calculated in accordance with Proper Conduct of Banking Business Directive 218 "Leverage ratio"

	As of		As of
	June 30	December 31	
	2025	2024	2024
	(Unaudited)	(Audited)	
	In %		
1. Consolidated data			
Tier I capital ⁽¹⁾	33,591	30,252	31,963
Total exposure	556,629	505,336	529,598
Leverage ratio	6.03	5.99	6.04
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
2. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Leverage ratio	7.87	6.90	7.45
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50

(1) This data includes adjustments with respect to streamlining plans and adjustments with respect to initial application of accounting principles for expected credit losses, see sections A.3 and A.4 above.

C. Liquidity coverage ratio

Calculated in accordance with Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio"

	As of		As of
	June 30	December 31	
	2025	2024	2024
	(Unaudited)	(Audited)	
	In %		
1. Consolidated data			
Liquidity coverage ratio ⁽¹⁾	135	131	135
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
2. Bank data			
Liquidity coverage ratio ⁽¹⁾	136	132	136
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
3. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Liquidity coverage ratio ⁽¹⁾	399	416	448
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100

(1) In terms of simple average of daily observations during the reported quarter.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

D. Minimum net stable funding ratio required by directives of the Supervisor of Banks

The Bank applies Proper Conduct of Banking Business Directive No. 222 concerning "Net stable funding ratio (NSFR)", which adopts the Basel Committee recommendation with regard to net stable funding ratio in the Israeli banking system. In conformity with this directive, the objective of the net stable funding ratio is to improve stability of the liquidity risk profile of banking corporations over the long term, by requiring banking corporations to maintain a stable funding profile in conformity with the composition of on-balance sheet assets and off-balance sheet operations. The net stable funding ratio consists of two components: available stable funding items (numerator) and required stable funding items (denominator). "Available stable funding" is defined as the part of capital and liabilities that may be relied upon over the time horizon taken into account in the net stable funding ratio, of one year. The required stable funding amount for a given corporation is based on the liquidity attributes and time to maturity of various assets held by the corporation, as well as of off-balance sheet exposures.

Pursuant to the directive, the minimum net stable funding ratio required is 100%.

The net stable funding ratio for significant banking subsidiaries in Israel is calculated in conformity with Proper Conduct of Banking Business Directive 222 "Net stable funding ratio". Net stable funding ratio in significant overseas banking corporations is presented and calculated in conformity with relevant directives in each jurisdiction, to the extent that such directives were set.

	As of June 30 2025 (Unaudited)	2024	As of December 31 2024 (Audited) In %
(1) On consolidated data			
Net stable funding ratio	112	113	113
The minimum net stable funding ratio required by the Supervisor of Banks	100	100	100
(2) Significant subsidiaries			
Bank Yahav			
Net stable funding ratio	172	173	172
The minimum net stable funding ratio required by the Supervisor of Banks	100	100	100

Factors which may materially affect the net stable funding ratio

The net stable funding ratio (on consolidated basis) as of June 30, 2025 was 112%. 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.

E. Basel III

The Bank applies Proper Conduct of Banking Business Directives Nos. 201-211 with regard to capital measurement and adequacy, as amended so as they are aligned with the Basel III directives.

The Basel III directives stipulated significant changes to calculation of regulatory capital requirements, including with regard to the following:

- Supervisory capital components
- Deductions from capital and supervisory adjustments
- Treatment of exposures to financial corporations
- Accounting treatment applied to exposures to credit risk with respect to troubled debt.
- Capital allocation with respect to CVA risk

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

F. Capital adequacy target

As per instructions of the Supervisor of Banks, the Bank is required to maintain a minimum Tier I equity ratio of no less than 9% and a minimum total equity ratio of no less than 12.5% of weighted total of risk components of its balance sheet assets and off-balance-sheet items. Calculation of total capital and total risk components is set forth in the directives.

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

G. Effect of application of accounting principles with regard to expected credit losses on supervisory capital

As from January 1, 2022, the Bank applies the new directives with regard to expected credit losses (CECL) and charges the cumulative effect to retained earnings upon initial application. According to the Supervisor of Banks' circular, if, due to initial application of these rules, the banking corporation's Tier I equity should decrease, then the banking corporation may partially include in Tier I equity (i.e. add back to Tier I equity) the decrease in Tier I equity recorded upon initial application, over three years (hereinafter: "transition period").

For more information about the effect of initial application, see Note 1 to the 2022 financial statements.

H. Lowering of the State of Israel's Credit Rating by International Rating Agency S&P

In accordance with Proper Bank Management Ordinance 203, the capital requirements or the Bank's exposures to the State of Israel, Israeli banks, institutional bodies and public sector entities, are derived from the State of Israel's rating.

For rating purposes, the Bank used a single S&P rating; as from the first quarter of 2022, the Bank started using the lower of S&P and AM Best's rating, used for rating of credit risk insurers, in order to mitigate the credit risk such that the risk weighting is based on insurer rating, rather than on counter-party rating.

In April 2024, rating agency S&P lowered the long-term credit rating of the State of Israel from AA- to A+. The effect of the rating downgrade is included in the capital ratios as of March 31, 2025.

In October 2024, the rating agency S&P announced a further rating downgrade from A+ to A, with no impact on the Bank's capital ratios.

On May 9, 2025, the credit rating agency S&P affirmed Israel's long-term rating at A with a negative outlook.

i. Issue of subordinated notes with loss-absorption provisions

In June 2024, Tefahot Issuance made a public offering by way of expansion of Series 52 (Bonds) and Series 4 (Commercial Papers) totaling approximately NIS 4.8 billion par value in consideration for approximately NIS 4.8 billion.

J. Steps to address the increase in the credit risk in the construction and real estate industries and the housing market

On April 6, 2025, the Supervisor of Banks published a circular on revision of Proper Conduct of Banking Business Directive No. 203 regarding "Measurement and Capital Adequacy – Credit Risk—the Standardized Approach", and Directive No. 329 on "Limitations on Issuing Residential Mortgages". The circular applies an increased risk weight to credit used to finance projects with a high proportion of house sale contracts where a significant proportion of the sale consideration is paid on the house delivery date. Furthermore, it was decided to limit the proportion of bullet and balloon loans, which are subsidized by the developer paying the interest payments, such that those loans will not exceed 10% of total residential mortgages. As of June 30, 2025, the Directive has no material effect on the financial statements, and it is not expected to have a material effect in the future. For more information see Note 1 to the financial statements.

K. Leverage ratio

The Bank applies the rules of Proper Conduct of Banking Business Directive 218 regarding "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.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.

On November 15, 2020, the Supervisor of Banks issued a circular regarding "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)", updating Proper Conduct of Banking Business Directive 250, whereby the leverage ratio shall be at least 4.5% on a consolidated basis, compared to 5% prior to this change.

In the Supervisor of Banks' circular dated December 20, 2023, the effect of this relief was extended through December 31, 2025. A banking corporation applying this relief at the time would be required to resume the required leverage ratio prior to the interim directive within two quarters, such that upon expiration of the interim directive, the banking corporation would be subject to a minimum leverage ratio based on the actual leverage ratio or the minimum ratio applicable to the banking corporation prior to the interim directive, whichever is lower.

- L. For more information about dividends, see "Condensed Statements of Changes in Shareholders' Equity" and Note 18 below.
- M. For more information about directives and instructions by the Supervisor of Banks with regard to capital adequacy, see Note 25 to the 2024 Financial Statements.

Note 10 - Contingent Liabilities and Special Commitments

Reported amounts (NIS in millions)

A. Other liabilities and special commitments

		June 30	December 31
	2025	2024	2024
		(Unaudited)	(Audited)
Acquisition and renovation of buildings	93	120	30

Credit sales operations

The following table provides a summary of credit sales operations at the Bank:

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2025	2024	2025	2024	2024
		(Unaudited)		(Unaudited)	(Audited)
Carrying amount of credit sold	120	27	120	89	125
Total consideration	120	27	120	89	125
Service obligation – expense with respect to operational services	-	-	-	-	-
Total net gain with respect to credit sold	-	-	-	-	-

B. Contingent liabilities and other commitments

- For more information about contingent liabilities and other commitments by the Bank Group, see Note 26 to the 2024 financial statements. Below is a description of material changes from the Note included in the 2024 Financial Statements.
- Various claims are pending against the Bank and its subsidiaries, namely, claims of customers, as well as motions for recognition of various class actions. In the estimation of the management of the Bank, based on the estimation of the managements of its subsidiaries and on the opinion of their legal counsel as to the possible outcome of the pending claims (for claims brought against the Bank) and motions for approval of claims as class actions, the financial statements include appropriate provisions, where necessary, to cover possible damages.

Below are details of significant claims, including motions for approval of class action status and claims in which the amount claimed (excluding interest and fees) exceeds 1% of Bank equity which had developments and changes from the description in the 2024 financial statements:

Note 10 - Contingent Liabilities and Special Commitments

Reported amounts (NIS in millions)

- a) In May 2016, the Bank received a claim and motion for approval of class action status, alleging unlawful over-charging of commissions to customers eligible to be classified as a small business, in breach of the Bank's duties in its relations with customers. The plaintiff estimates the damage at NIS 220 million.

As recommended by the Court, the parties are in mediation proceeding. Concurrently, dates were set for the parties' oral summations.

- b) In September 2018, the Bank received a claim and motion for approval of class action status amounting to NIS 180 million (estimated) for allegedly over-charging a commission upon early repayment of residential mortgages consisting of multiple tracks, some of which have generated positive capitalization differences and some of which have generated negative capitalization differences, where the Bank fails to offset the capitalization differences of the different tracks against each other, allegedly in contravention of provisions of the Banking Ordinance (Early repayment of residential mortgage), 2002.

On April 28, 2025, the parties filed a motion with the Court seeking approval of a settlement agreement, which was reached as part of a mediation proceeding; the Court has not yet ruled in this motion.

- c) In May 2020, the Bank received a claim and motion for approval of class action status, of unspecified amount, alleging breach of duty of confidentiality, by the Bank providing various identifiable information to international information corporations, and in particular to Facebook, allowing them to gather private information about Bank customers, allegedly in breach of provisions of the Privacy Protection Law, 1981 and other statutes, without providing required disclosure to Bank customers and without obtaining their consent.

As recommended by the Court, the parties are in mediation proceeding.

- d) In April 2021, the Bank received a claim and motion for class action status filed against the Bank and 14 other defendants (other banks and financial institutions, hereinafter: "the defendants"), alleging transfer of private information to third parties while browsing the "Personal Zone" on websites and apps operated by the defendants, allegedly in violation of privacy and allegedly in breach of provisions of the Privacy Protection Law, Banking Rules and multiple other obligations imposed on the defendants.

The movants filed summations and the Bank is required to file its summations by September 21, 2025.

- e) In February 2022, the Bank received a claim and a motion for class action status, filed against the Bank and nine other banks and against two private companies that operate, independently or by franchise, non-bank ATMs ("the motion"). The motion concerns the commission charged for cash withdrawal services from customer accounts at the defendant banks, made through non-banking ATMs operated by public companies. The damage to the class, according to the motion, was set at NIS 458 million in total against all defendants, with the plaintiff allowing the Court discretion in allocating liability among the defendants.

On October 13, 2024 a motion was filed to the Court on behalf of the applicant to order the filing of the Attorney General's position on this issue before a resolution is made regarding the motion for class action status. A resolution is still pending in connection with this motion.

- f) In April 2022, the Bank received a claims and a motion for approval of class action status. of no stated amount, concerning double charging of commission, allegedly unlawfully, in an exchange transaction of two foreign currencies, and absence of proper disclosure about these charges in the conversion differences.

On December 2, 2022, a verdict was handed down, rejecting out of hand the motion for approval of class action status. On January 18, 2023, the plaintiff appealed this verdict to the Supreme Court. A hearing of the appeal by the Supreme Court is scheduled for September 2, 2025.

- g) In November 2022, the Bank received a claim and a motion for approval of class action lawsuit, of unspecified amount, concerning revision of interest rates in conformity with agreements for residential mortgages in the variable interest track based on bonds as an anchor (yield of Government bonds), alleging that this creates an unfair advantage for the Bank at the expense of borrowers, and that the condition stipulated in such agreements, whereby the change in anchor would only apply "on condition that the sum of these components shall not be less than "0%"" constitutes, allegedly, a discriminatory condition in a uniform contract, as defined in Section 2 of the Uniform Contract Law, 1982.

Note 10 – Contingent Liabilities and Special Commitments – continued

On January 28, 2025 the parties filed to the Court a procedural arrangement. Further to the arrangement, each of the parties filed various motions under preliminary proceedings, and the parties are required to respond to these motions by September 14, 2025.

- h) In May 2023, the Bank received a claim and motion for class action status, of unspecified amount, with respect to setting the interest rate in the fixed interest track of residential mortgages, carried out in parts. The motion alleges that the Bank should set an annual interest rate based on the basic interest rate plus the "additional rate" which, according to the plaintiff, should be fixed; However, allegedly the Bank calculates the additional interest based on the interest rate upon signing the loan agreement, but based on the basic interest on later dates, in contravention of the loan agreement and of provisions of Proper Conduct of Banking Business Directive 421 regarding "Decrease or increase in interest rates".

On March 19, 2025, a pre-trial hearing took place in which the Court recommended that the plaintiff withdraws the motion for class action motion. Concurrently, a hearing was scheduled for September 14, 2025 regarding the document disclosure motion filed by the plaintiff.

- i) In June 2023, the Bank was served with a claim and a motion for class action status brought against the Bank and other banks, claiming damages in excess of NIS 1 billion, for non-payment of interest for credit balances in current accounts. The motion alleges that the Bank does not pay interest for credit balances in current accounts held with the Bank, by way of credit interest or by automated deposit of credit balances in the account to an interest-bearing deposit, and that the Bank fails to inform customers of the appropriate options in such circumstances, in breach of various statutory provisions and with unlawful enrichment.

On December 29, 2024, the Supervisor of Banks submitted its position, whereby, among other things, the Supervisor of Banks clarified that it objects to any intervening in the prices of banking services; it is the Supervisor of Banks' position that requiring the banks to pay interest on credit balances in current accounts may be a misguided move. A pre-trial hearing is scheduled for September 18, 2025.

- j) In June 2023, the Bank was served a claim and motion for approval of class action status, filed against the Bank and other banks, alleging over-charging of debit interest linked to the Prime lending rate. The claim alleges that the Bank increases the Prime lending rate used to determine the debit interest rate for debit balances in current accounts and in loans, whenever the Bank of Israel changes its interest rate, and by exactly the same change, without exercising judgment and without paying due consideration to changes to the cost of credit sources, thereby increasing the Bank's earnings by allegedly using, other than in good faith, unfair sections of uniform banking contracts, as well as unlawful enrichment. The total estimated damage for all defendants amounts to NIS 5.8 billion. A preliminary hearing of this case is scheduled for December 2, 2025.

- k) In July 2023, the Bank was served with a claim and motion for approval of class action status, filed against the Bank and other banks. The claim alleges misleading behavior and failure to provide disclosure, when making a deposit online or in the app, the interest rate offered and paid to other bank customers for the same deposits, and of the option to obtain better interest. This involves allegedly unlawful action that amounts to misleading behavior, exploitative and lacking good faith, as well as unlawful enrichment. The total damage claimed for all banks amounts to NIS 984 million.

The movants filed their summations and the Bank's summations were filed on July 31, 2025.

- l) In August 2023, the Bank received a claim and motion for approval of class action status, of unspecified amount, filed against the Bank and other banks. The motion concerns the requirement to provide a building insurance policy incidental to a mortgage, to be pledged in favor of the Bank, even when the property value net of the relevant land value exceeds the requested loan amount or the outstanding loan balance, allegedly in contravention of provisions of Proper Conduct of Banking Business Directive 451. It was further alleged that the defendant banks do not inform the borrowers, during the loan period, of the option available to them not to insure the property under such circumstances, with respect to the outstanding loan balance.

According to the Court's decision to split the hearing, on November 14, 2024, the plaintiff filed a motion for approval of a class action relating solely to the Bank. A pre-trial hearing is scheduled for November 3, 2025.

Note 10 – Contingent Liabilities and Special Commitments – continued

- m) In August 2023, the Bank was served with a claim and motion for approval of class action status, of unspecified amount. The motion concerns terms of interest and deposit types used as temporary collateral for mortgage transition from one land property to an alternative land property. Allegedly, in case of a deposit as such collateral, the investment options offered to the customer for such deposit are inferior by comparison to other investment options, and in particular – by comparison to other deposits offered to all Bank customers, and such action by the Bank results in excess profit for the Bank. It is further alleged that during the term of such deposit, the customer is required to maintain a valid life insurance policy, which is allegedly in contrast to the provisions of the mortgage agreement and in breach of a number of legal obligations of the Bank. A pre-trial hearing was held on July 15, 2025, in which various motions of the parties were discussed. A further pre-trial hearing is scheduled for January 19, 2026.
- n) In March 2024 the Bank received a claim and a motion for approval of class action status, with no estimated sum, for alleged unlawful billing for exchange rate differences for foreign currency conversion actions, without anchoring the billing in the Bank's rate book and in agreements with customers and with no full disclosure on the scope of the billing. This with an alleged violation of legal provisions including banking rules (customer services)(fees), 2008 and the Uniform Contracts Law, 1982. On October 31, 2024 a verdict was handed down, under which the motion was dismissed in limine, and the movants were required to pay legal expenses. On December 15, 2024, the Bank's attorney was served with an appeal against the verdict, which the applicant submitted to the Supreme Court. A hearing for the appeal was scheduled for November 26, 2025.
- o) In June 2024, the Bank was served with a claim and a motion to approve a class action to the sum of NIS 700 million. The motion concerns the payment of interest on credit balances in current accounts managed at the bank, by way of their deposit to the automatic daily interest deposit existing at the Bank. The motion claims that the Bank does not inform and does not actively offer all of its customers the option of using the said deposit and thus prevents them from receiving interest on credit balances in their account, this in connection with the period beginning from April 2022 onward, while violating various legal provisions, disclosure obligations and unlawful acquisition of wealth. A pre-trial hearing was held on May 20, 2025, in which the Court suggested that the parties enter into mediation; the parties are required to inform the Court of their response to this suggestion by August 4, 2025.

For all claims against the Bank Group in individual amounts over NIS 2 million, excluding claims listed in section 2 above, there is additional, non-remote exposure for which no provision was made, amounting to NIS 32 million.

- 3. Motions for class action status are pending against the Bank and its subsidiaries, where the amount claimed is material, as well as appeals to the High Court of Justice, as itemized below, which, in the opinion of the Bank's management, based on the opinion of the managements of its subsidiaries, and on the opinion of their legal counsel, the prospects for which cannot be estimated on the date of the financial statements, hence no provision was made for these.
 - a) In January 2025, Bank Yahav was served with a class action, alleging that the latter collects third-party commissions in respect of securities transactions without prior notice and without informing the customers, thereby allegedly breaching the law; in the opinion of Bank Yahav's legal advisors it is not yet possible to assess the chances of the class action.
Bank Yahav's response to the class action certification motion has not yet been filed. A pre-trial hearing is scheduled for October 23, 2025.

Note 10 – Contingent Liabilities and Special Commitments – continued

C. Guarantees by maturity date

The Bank provides a wide range of guarantees and indemnification to its customers, to allow them to conduct a wide range of transactions. The maximum amount of potential future payments is determined based on the amount stated in the guarantee, without accounting for any potential refunds or collateral helped or pledged. Most guarantees at the Bank are rated by credit performance rating.

The following are guarantees issued by the Bank, by maturity date:

	As of June 30, 2025 (unaudited)				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	3,846	691	120	193	4,850
Guarantees to home buyers	11,780	5,862	521	73	18,236
Guarantees and other commitments	8,344	3,762	3,482	353	15,941
Commitments to issue guarantees	4,970	8,144	3,010	-	16,124
Total guarantees	28,940	18,459	7,133	619	55,151

	As of June 30, 2024 (unaudited)				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	3,189	521	67	133	3,910
Guarantees to home buyers	12,037	4,174	668	122	17,001
Guarantees and other commitments	8,191	3,856	2,243	169	14,459
Commitments to issue guarantees	4,419	6,757	1,768	-	12,944
Total guarantees	27,836	15,308	4,746	424	48,314

	As of December 31, 2024 (audited)				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	3,292	657	99	146	4,194
Guarantees to home buyers	12,778	5,616	202	75	18,671
Guarantees and other commitments	8,256	4,246	2,956	115	15,573
Commitments to issue guarantees	4,015	8,352	3,009	-	15,376
Total guarantees	28,341	18,871	6,266	336	53,814

Notes to condensed financial statements

As of June 30, 2025

Note 11 – Derivative instruments and hedging activities

Reported amounts (NIS in millions)

A) Activity on a consolidated basis

	June 30, 2025 (unaudited)			June 30, 2024 (unaudited)		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
1. Stated amounts of derivative instruments						
Interest contracts						
Forward contracts	-	-	-	-	2,350	2,350
Options written	-	-	-	-	-	-
Options purchased	-	-	-	-	-	-
Swaps ⁽¹⁾	37,245	90,996	128,241	⁽⁶⁾ 36,962	⁽⁶⁾ 61,086	98,048
Total⁽²⁾	37,245	90,996	128,241	36,962	63,436	100,398
Of which: Hedging derivatives⁽³⁾	10,482	-	10,482	5,143	-	5,143
Currency contracts						
Forward contracts and futures ⁽⁴⁾	69,976	174,279	244,255	47,037	153,031	200,068
Options written	-	11,152	11,152	-	17,684	17,684
Options purchased	-	10,151	10,151	-	17,527	17,527
Swaps	674	949	1,623	942	1,748	2,690
Total	70,650	196,531	267,181	47,979	189,990	237,969
Of which: Hedging derivatives⁽³⁾	-	-	-	-	-	-
Contracts for shares						
Forward contracts and futures contracts	-	32,954	32,954	-	39,753	39,753
Options written	174	11,473	11,647	80	9,883	9,963
Options purchased ⁽⁵⁾	-	11,475	11,475	-	9,886	9,886
Swaps	-	225	225	-	1,291	1,291
Total	174	56,127	56,301	80	60,813	60,893
Commodities and other contracts						
Forward contracts and futures contracts	-	12	12	-	85	85
Options written	-	-	-	-	-	-
Options purchased	-	-	-	-	-	-
Total	-	12	12	-	85	85
Credit contracts						
Bank is guarantor	-	-	-	-	-	-
Bank is beneficiary	-	-	-	-	-	-
Total	-	-	-	-	-	-
Total stated amount	108,069	343,666	451,735	85,021	314,324	399,345

(1) Includes swaps where the banking corporation pays a fixed interest rate amounting to NIS 78,541 million (as of June 30, 2024: NIS 56,854 million).

(2) Of which: NIS/CPI swaps amounting to NIS 4,468 million (as of June 30, 2024: NIS 6,387 million).

(3) The Bank conducts fair value hedging and cash flow hedging through interest rate swap contracts and NIS/CPI swap contracts, respectively.

(4) Of which: NIS/CPI swaps amounting to NIS 6,645 million (as of June 30, 2024: NIS 3,378 million).

(5) Of which: Traded on the Stock Exchange, amounting to NIS 11,473 million (as of June 30, 2024: NIS 9,883 million).

(6) Reclassified

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

A) Activity on a consolidated basis – continued

	As of December 31, 2024 (audited)		
	Derivatives not held for trading	Derivatives held for trading	Total
1. Stated amounts of derivative instruments			
Interest contracts			
Forward contracts	-	5,200	5,200
Options written	-	-	-
Options purchased	-	-	-
Swaps ⁽¹⁾	38,119	63,107	101,226
Total⁽²⁾	38,119	68,307	106,426
Of which: Hedging derivatives⁽³⁾	8,427	-	8,427
Currency contracts			
Forward contracts and futures ⁽⁴⁾	63,926	171,433	235,359
Options written	-	9,054	9,054
Options purchased	-	9,790	9,790
Swaps	729	1,219	1,948
Total	64,655	191,496	256,151
Of which: Hedging derivatives⁽³⁾	-	-	-
Contracts for shares			
Forward contracts and futures contracts	-	45,529	45,529
Options written	174	9,877	10,051
Options purchased ⁽⁵⁾	-	9,879	9,879
Swaps	-	837	837
Total	174	66,122	66,296
Commodities and other contracts			
Forward contracts	-	15	15
Options written	-	-	-
Options purchased	-	-	-
Total	-	15	15
Credit contracts			
Bank is guarantor	-	-	-
Bank is beneficiary	-	-	-
Total	-	-	-
Total stated amount	102,948	325,940	428,888

(1) Of which: seeps where the banking corporation pays a fixed interest, amounting to NIS 59,603 million.

(2) Of which: NIS/CPI swaps amounting to NIS 4,908 million.

(3) The Bank conducts fair value hedging and cash flow hedging through interest rate swap contracts and NIS/CPI swap contracts, respectively.

(4) Of which: Foreign currency spot swaps amounting to NIS 7,893 million.

(5) Of which: Traded on the stock exchange, amounting to NIS 9,877 million.

Notes to condensed financial statements

As of June 30, 2025

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

A) Activity on a consolidated basis – continued

	June 30, 2025 (unaudited)					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	1,218	1,325	2,543	1,051	1,279	2,330
Of which: Hedging derivatives	332	-	332	285	-	285
Currency contracts	73	6,215	6,288	21	7,219	7,240
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	11	651	662	-	634	634
Commodities and other contracts	-	-	-	-	-	-
Credit contracts	-	-	-	-	-	-
Total assets / liabilities with respect to derivatives, gross⁽¹⁾	1,302	8,191	9,493	1,072	9,132	10,204
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	1,302	8,191	9,493	1,072	9,132	10,204
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	71	1,174	1,245	11	1,352	1,363

	June 30, 2024 (unaudited)					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	1,508	921	2,429	1,083	722	1,805
Of which: Hedging derivatives	357	-	357	46	-	46
Currency contracts	432	1,972	2,404	6	1,612	1,618
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	5	188	193	-	169	169
Commodities and other contracts	-	5	5	-	5	5
Credit contracts	-	-	-	-	-	-
Total assets / liabilities with respect to derivatives, gross⁽¹⁾	1,945	3,086	5,031	1,089	2,508	3,597
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	1,945	3,086	5,031	1,089	2,508	3,597
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	23	588	611	7	415	422

(1) Of which: Gross fair value of assets with respect to embedded derivatives amounting to NIS 28 million (as of June 30, 2024 - NIS 23 million).

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

A) Activity on consolidated basis – continued

	December 31, 2024					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	1,351	866	2,217	973	694	1,667
Of which: Hedging derivatives	357	-	357	75	-	75
Currency contracts	291	2,134	2,425	44	2,527	2,571
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	10	899	909	-	885	885
Commodities and other contracts	-	-	-	-	-	-
Credit contracts	-	-	-	-	-	-
Total assets / liabilities with respect to derivatives, gross⁽¹⁾	1,652	3,899	5,551	1,017	4,106	5,123
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	1,652	3,899	5,551	1,017	4,106	5,123
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	38	1,237	1,275	9	1,250	1,259

(1) Of which: Gross fair value of assets with respect to embedded derivatives amounting to NIS 25 million.

Notes to condensed financial statements

As of June 30, 2025

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

B) Accounting hedges

1.A. Gain (loss) from fair value hedge ⁽¹⁾

	For the three months ended June 30		For the year ended December 31	
	2025	2024	2025	2024
	Interest revenues (expenses)			
Interest contracts				
Hedged items	32	(82)	102	(87)
Hedging derivatives	(32)	82	(103)	94
				93

1.B. Items hedged under fair value hedge ⁽¹⁾

	Balance as of June 30, 2025		Balance as of December 31, 2024	
	2025	2024	2024	
	Book value	Cumulative fair value adjustments that increased the book value	Book value	Cumulative fair value adjustments that increased the book value
Securities available for sale	4,830	33	3,892	40
Mortgages credit	5,290	57	2,724	10

2. Cash flows hedges⁽²⁾

	For the three months ended June 30, 2025		For the year ended December 31, 2024	
	2025	2024	2024	
	Amounts recognized in Other Comprehensive Income (loss) from derivatives	Interest revenues (expenses)	Amounts recognized in Other Comprehensive Income (loss) from derivatives	Interest revenues (expenses)
Mortgages credit	(1)	(6)	2	(15)

(1) Reflects amounts included in assessment of hedge effectiveness.

Reflects amounts excluded from assessment of hedge effectiveness, for which the difference between the change in fair value and the periodic write-down is recognized on Other Comprehensive Income (Loss).

Notes to condensed financial statements

As of June 30, 2025

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

C) Credit risk on financial derivatives according to counter-party to the contract – Consolidated

	June 30, 2025 (unaudited)						
	Stock exchanges	Banks	Dealers/ Brokers	Governments and central banks	Institutional investors	Others	Total
Carrying amount of assets with respect to derivative instruments	62	4,105	456	115	3,614	1,141	9,493
Gross amounts not offset in the balance sheet:							
Mitigation of credit risk with respect to financial instruments	-	(2,808)	-	-	(1,474)	(287)	⁽¹⁾ (4,569)
Mitigation of credit risk with respect to cash collateral received	-	(978)	-	(101)	(2,046)	-	(3,125)
Net amount of assets with respect to derivative instruments	62	319	456	14	94	854	1,799
Net off-balance sheet credit risk with respect to derivative instruments ⁽²⁾	137	1,706	132	16	1,466	383	3,840
Total credit risk on derivative instruments	199	2,025	588	30	1,560	1,237	5,639
Carrying amount of liabilities with respect to derivative instruments	64	3,474	456	-	4,889	1,321	10,204
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(2,808)	-	-	(1,474)	(287)	(4,569)
Pledged cash collateral	-	(531)	-	-	(3,111)	(123)	(3,765)
Net amount of liabilities with respect to derivative instruments	64	135	456	-	304	911	1,870

	June 30, 2024 (unaudited)						
	Stock exchanges	Banks	Dealers/ Brokers	Governments and central banks	Institutional investors	Others	Total
Carrying amount of assets with respect to derivative instruments	55	2,895	141	8	1,517	415	5,031
Gross amounts not offset in the balance sheet:							
Mitigation of credit risk with respect to financial instruments	-	(1,835)	-	-	(567)	(86)	⁽¹⁾ (2,488)
Mitigation of credit risk with respect to cash collateral received	-	(600)	-	-	(950)	(56)	(1,606)
Net amount of assets with respect to derivative instruments	55	460	141	8	-	273	937
Off-balance sheet credit risk on derivative instruments ⁽²⁾	97	401	1,825	10	2,459	406	5,198
Total credit risk on derivative instruments	152	861	1,966	18	2,459	679	6,135
Carrying amount of liabilities with respect to derivative instruments	55	2,068	141	5	892	436	3,597
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(1,835)	-	-	(567)	(86)	(2,488)
Pledged cash collateral	-	(233)	-	-	(325)	-	(558)
Net amount of liabilities with respect to derivative instruments	55	-	141	5	-	350	551

(1) This balance consists entirely of derivative instruments subject to offset agreements.

(2) The difference, if positive, between the total amounts with respect to derivative instruments (including with respect to derivative instruments with negative fair value) included under borrower indebtedness, as calculated for restrictions on indebtedness of a borrower, before mitigation of credit risk, and the carrying amount of assets with respect to derivative instruments of the borrower.

Notes to condensed financial statements

As of June 30, 2025

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

C) Credit risk on financial derivatives according to counter-party to the contract – Consolidated – continued

	As of December 31, 2024 (audited)						
	Stock exchanges	Banks	Dealers/ Brokers	Governments and central banks	Institutional investors	Others	Total
Carrying amount of assets with respect to derivative instruments	33	3,051	773	19	1,198	477	5,551
Gross amounts not offset in the balance sheet:							
Mitigation of credit risk with respect to financial instruments	-	(1,802)	-	-	(1,064)	(159)	⁽¹⁾ (3,025)
Mitigation of credit risk with respect to cash collateral received	-	(1,249)	-	(15)	(134)	(48)	(1,446)
Net amount of assets with respect to derivative instruments	33	-	773	4	-	270	1,080
Net off-balance sheet credit risk with respect to derivative instruments ⁽²⁾	67	399	1,723	14	2,808	372	5,383
Total credit risk on derivative instruments	100	399	2,496	18	2,808	642	6,463
Carrying amount of liabilities with respect to derivative instruments	33	1,809	773	-	1,939	569	5,123
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(1,802)	-	-	(1,064)	(159)	(3,025)
Pledged cash collateral	-	(7)	-	-	(218)	-	(225)
Net amount of liabilities with respect to derivative instruments	33	-	773	-	657	410	1,873

(1) This balance consists entirely of derivative instruments subject to offset agreements.

(2) The difference, if positive, between the total amounts with respect to derivative instruments (including with respect to derivative instruments with negative fair value) included under borrower indebtedness, as calculated for restrictions on indebtedness of a borrower, before mitigation of credit risk, and the carrying amount of assets with respect to derivative instruments of the borrower.

In the three-month period ended June 30, 2025, the Bank recognized expenses from increase in provision for credit losses amounting to NIS 2 million. In the six-month period ended June 30, 2025, the Bank recognized expenses from an increase in provision for credit losses amounting to NIS 6 million (in the three-month period ended June 30, 2024, the Bank recognized revenues from a decrease in provision for credit losses amounting to NIS 1 million). In the six-month period ended June 30, 2024, the Bank recognized revenues from decrease in provision for credit losses amounting to NIS 2 million.

D) Maturity dates – stated amounts: Balances at end of period – Consolidated

	June 30, 2025 (unaudited)				
	Up to three months	3 months to 1 year	1-5 years	Over 5 years	Total
Interest contracts:					
NIS – CPI	1,249	1,213	1,435	571	4,468
Other	18,065	26,737	58,075	20,896	123,773
Currency contracts	172,027	89,595	5,503	56	267,181
Contracts for shares	54,318	1,946	37	-	56,301
Commodities and other contracts	11	1	-	-	12
Total	245,670	119,492	65,050	21,523	451,735
	June 30, 2024 (unaudited)				
Total	232,457	104,016	43,326	19,546	399,345
	As of December 31, 2024 (audited)				
Total	248,036	109,838	52,217	18,797	428,888

Note 12 – Operating Segments

A. Information regarding supervisory operating segments

According to the Directives, the Bank is required to provide in its financial statements a disclosure with regard to supervisory operating segments in conformity with a uniform and comparable format set by the Supervisor of Banks; allocation to supervisory operating segments is typically determined based on the customer's turnover.

The financial information on the Report of the Board of Directors and Management is included based on definitions of supervisory segments.

In addition, the financial statements include – in Note 12 to the financial statements – disclosure with regard to "Operating segments in conformity with the management approach".

An operating segment in conformity with the management approach is a Bank component with operations which may derive revenues and incur expenses which meet the following criteria:

- a. Its operating results are regularly reviewed for the purpose of decision making about resource allocation and for performance evaluation.
- b. Separate financial information is available for it.

In fact, there is a strong correlation between supervisory operating segments and "operating segments in conformity with the management approach" but nevertheless, there are some differences in customer attribution to segments and in decision making. Therefore, at this stage, the financial statements also include reporting of operating results in conformity with "the management approach", as noted above.

Supervisory operating segments

Supervisory operating segments include operating segments for individuals and operating segments for other than individuals (including business operating segments, institutional investors and financial management of the Bank).

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

Definitions of supervisory operating segments are as follows:

Households – individuals, other than private banking customers, as noted below.

Private banking – individuals who manage a financial asset portfolio in excess of NIS 3 million.

Small and micro businesses – businesses with turnover amounting up to NIS 50 million.

Medium businesses – businesses with turnover higher than NIS 50 million and lower than NIS 250 million.

Large businesses – businesses with turnover higher than NIS 250 million.

Institutional investors – Businesses which own pension funds, study funds, mutual funds, ETFs, insurance companies, stock exchange members, portfolio managers.

Financial management – includes trading operations, asset and liability management and non-banking investments.

Trade operations – Investment in securities held for trading, market making operations for securities, operations involving derivatives not designated as hedges and which are not part of asset and liability management for the Bank, borrowing of securities for trading, short selling of securities, underwriting services for securities.

Asset and liability management – including investment in bonds available for sale and in bonds held to maturity, hedging using derivatives, ALM hedging, deposits with banks and deposits from banks in Israel and overseas, currency hedging of investments overseas, deposits with and from Governments.

Real investments – Investment in shares available for sale and in associated companies of businesses.

Other financial management operations – management, operation, trust and custody services for banks, sale and management of loan portfolios.

The aforementioned operating segments are divided into operations in Israel and operations overseas; operations overseas are presented separately and are divided into operations of individuals and business operations only.

Notes to condensed financial statements

As of June 30, 2025

Note 12 – Operating Segments – continued

Supervisory operating segments

For the six months ended June 30, 2025 (unaudited)

Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Of which: Others	Credit cards	Total		
Interest revenues from externals	6,236	1,040	31	7,276	1	1,431
Interest expenses from externals	13	1,662	-	1,675	555	737
Interest revenues, net from externals	6,223	(622)	31	5,601	(554)	694
Interest revenues, net – inter-segment	(4,822)	2,547	(8)	(2,275)	774	584
Total interest revenues, net	1,401	1,925	23	3,326	220	1,278
Total non-interest financing revenues	-	-	-	-	-	-
Total commissions and other revenues	66	358	95	424	29	302
Total non-interest revenues	66	358	95	424	29	302
Total revenues	1,467	2,283	118	3,750	249	1,580
Expenses due to credit losses	(37)	88	(3)	51	-	49
Operating and other expenses to externals	419	1,111	35	1,530	7	563
Operating and other expenses – inter-segment	1	2	-	3	2	3
Total operating and other expenses	420	1,113	35	1,533	9	566
Pre-tax profit	1,084	1,082	86	2,166	240	965
Provision for taxes on profit	401	401	32	802	89	358
After-tax profit	683	681	54	1,364	151	607
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	683	681	54	1,364	151	607
Net profit attributed to non-controlling interests	-	(92)	(2)	(92)	-	(2)
Net profit attributable to shareholders of the banking corporation	683	589	52	1,272	151	605
Average balance of assets	229,649	28,193	3,862	257,842	137	38,761
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	229,649	28,193	3,862	257,842	137	38,761
Balance of loans to the public at end of reported period	(3)233,172	27,844	4,565	261,016	146	36,243
Balance of non-accruing debts and debts in arrears over 90 days	2,245	130	-	2,375	-	832
Balance of other problematic debts	-	142	5	142	-	540
Balance of provision for credit losses at end of reported period	1,143	683	-	1,826	1	1,302
Net accounting write-offs in the reported period	-	81	-	81	-	103
Average balance of liabilities	-	133,987	-	133,987	31,554	57,980
Of which: Average balance of deposits from the public	-	133,987	-	133,987	31,554	57,980
Balance of deposits from the public at end of reported period	-	134,900	-	134,900	32,142	55,545
Average balance of risk assets ⁽¹⁾	136,098	23,230	4,482	159,328	105	33,436
Balance of risk assets at end of reported period ⁽¹⁾	137,967	22,681	3,086	160,648	115	34,133
Average balance of assets under management ⁽²⁾	8,902	60,244	-	69,146	29,796	65,981
Breakdown of interest revenues, net:						
Margin from credit granting operations	1,167	462	23	1,629	-	630
Margin from activities of receiving deposits	-	1,422	-	1,422	220	577
Other	234	41	-	275	-	71
Total interest revenues, net	1,401	1,925	23	3,326	220	1,278

(1) Risk assets – as calculated for capital adequacy purposes (Proper Conduct of Banking Business Directive 201).

(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.

(3) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 10,092.

Notes to condensed financial statements

As of June 30, 2025

					Operations overseas	Total
	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas
	508	1,544	39	1,601	12,400	978
	425	997	1,754	947	7,090	396
	83	547	(1,715)	654	5,310	582
	259	147	1,848	(1,115)	222	(222)
	342	694	133	(461)	5,532	360
	-	-	-	185	185	-
	63	144	25	256	1,243	17
	63	144	25	441	1,428	17
	405	838	158	(20)	6,960	377
	(2)	11	9	1	119	40
	89	135	99	165	2,588	74
	(3)	-	(1)	(4)	-	-
	86	135	98	161	2,588	74
	321	692	51	(182)	4,253	263
	119	257	19	(67)	1,577	97
	202	435	32	(115)	2,676	166
	-	-	-	11	11	-
	202	435	32	(104)	2,687	166
	-	-	-	(16)	(110)	-
	202	435	32	(120)	2,577	166
	14,671	43,567	4,312	112,616	471,906	33,929
	-	-	-	302	302	-
	14,671	43,567	4,312	-	359,290	10,299
	16,949	47,148	6,781	-	368,283	12,416
	250	157	-	-	3,614	454
	141	233	-	-	1,056	56
	259	389	17	-	3,794	233
	44	(14)	-	-	214	33
	20,802	45,322	95,826	67,420	452,891	18,711
	20,802	45,322	95,826	-	385,471	17,902
	28,509	41,303	108,247	-	400,646	16,748
	16,940	66,962	1,514	22,438	300,723	15,099
	17,459	70,333	1,275	23,259	307,222	15,435
	19,921	33,948	371,633	3,843	594,268	-
	196	487	15	-	2,957	202
	117	100	116	-	2,552	73
	29	107	2	(461)	23	85
	342	694	133	(461)	5,532	360

Notes to condensed financial statements

As of June 30, 2025

Note 12 – Operating Segments – continued

Supervisory operating segments

For the six months ended June 30, 2024 (unaudited)

Reported amounts (NIS in millions)

	Operations in Israel					
	Households			Private banking		Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	5,988	1,026	29	7,014	-	1,368
Interest expenses from externals	13	1,775	-	1,788	-	781
Interest revenues, net from externals	5,975	(749)	29	5,226	-	587
Interest revenues, net – inter-segment	(4,594)	2,612	(7)	(1,982)	-	697
Total interest revenues, net	1,381	1,863	22	3,244	-	1,284
Total non-interest financing revenues	-	-	-	-	-	-
Total commissions and other revenues	61	319	95	380	-	290
Total non-interest revenues	61	319	95	380	-	290
Total revenues	1,442	2,182	117	3,624	224	1,574
Expenses due to credit losses	34	74	1	108	-	165
Operating and other expenses to externals	419	1,117	34	1,536	8	513
Operating and other expenses – inter-segment	-	2	-	2	1	3
Total operating and other expenses	419	1,119	34	1,538	9	516
Pre-tax profit	989	989	82	1,978	215	893
Provision for taxes on profit	376	376	31	752	82	340
After-tax profit	613	613	51	1,226	133	553
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	613	613	51	1,226	133	553
Net profit attributed to non-controlling interests	-	(80)	(2)	(80)	-	(8)
Net profit attributable to shareholders of the banking corporation	613	533	49	1,146	133	545
Average balance of assets	210,087	26,561	3,676	236,648	121	33,307
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	210,087	26,561	3,676	236,648	121	33,307
Balance of loans to the public at end of reported period	(3)213,385	27,618	4,783	241,003	119	35,290
Balance of non-accruing debts and debts in arrears over 90 days	2,127	126	-	2,253	-	865
Balance of other problematic debts	-	124	3	124	-	629
Balance of provision for credit losses at end of reported period	1,161	670	-	1,831	-	1,433
Net accounting write-offs in the reported period	-	85	-	85	-	47
Average balance of liabilities	-	134,155	-	134,155	29,867	56,113
Of which: Average balance of deposits from the public	-	134,155	-	134,155	29,867	56,113
Balance of deposits from the public at end of reported period	-	135,282	-	135,282	30,937	57,359
Average balance of risk assets ⁽¹⁾	125,026	23,034	4,509	148,060	14	32,035
Balance of risk assets at end of reported period ⁽¹⁾	127,109	23,395	4,477	150,504	9	32,113
Average balance of assets under management ⁽²⁾	9,513	50,908	-	60,421	23,087	54,743
Breakdown of interest revenues, net:						
Margin from credit granting operations	1,185	498	22	1,683	-	624
Margin from activities of receiving deposits	-	1,333	-	1,333	202	597
Other	196	32	-	228	-	63
Total interest revenues, net	1,381	1,863	22	3,244	202	1,284

(1) Risk assets – as calculated for capital adequacy purposes (Proper Conduct of Banking Business Directive 201).

(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.

(3) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 11,749.

Notes to condensed financial statements

As of June 30, 2025

				Operations overseas		Total
Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
478	1,387	67	1,446	11,760	1,056	12,816
235	860	1,610	765	6,613	298	6,911
243	527	(1,543)	681	5,147	758	5,905
77	130	1,660	(924)	434	(434)	-
320	657	117	(243)	5,581	324	5,905
-	-	-	371	371	-	371
51	149	24	231	1,147	10	1,157
51	149	24	602	1,518	10	1,528
371	806	141	359	7,099	334	7,433
14	(75)	6	1	219	65	284
85	142	96	164	2,544	63	2,607
(1)	-	(5)	-	-	-	-
84	142	91	164	2,544	63	2,607
273	739	44	194	4,336	206	4,542
104	281	17	74	1,650	78	1,728
169	458	27	120	2,686	128	2,814
-	-	-	12	12	-	12
169	458	27	132	2,698	128	2,826
-	-	-	(14)	(102)	-	(102)
169	458	27	118	2,596	128	2,724
12,504	37,631	1,992	102,051	424,254	32,234	456,488
-	-	-	249	249	-	249
12,504	37,631	1,992	-	322,203	9,214	331,417
12,422	38,085	4,319	-	331,238	10,574	341,812
204	217	-	-	3,539	352	3,891
196	675	-	-	1,624	37	1,661
233	429	10	-	3,936	178	4,114
85	(25)	-	-	192	10	202
14,366	38,585	71,802	66,319	411,207	12,104	423,311
14,366	38,585	71,802	-	344,888	11,920	356,808
13,537	38,961	83,480	-	359,556	14,023	373,579
14,966	54,498	1,303	19,410	270,286	11,637	281,923
15,015	56,802	1,067	21,109	276,619	13,189	289,808
14,953	26,209	409,611	3,146	592,170	-	592,170
194	460	22	-	2,983	184	3,167
103	122	94	-	2,451	53	2,504
23	75	1	(243)	147	87	234
320	657	117	(243)	5,581	324	5,905

Notes to condensed financial statements

As of June 30, 2025

Note 12 – Operating Segments – continued

Supervisory operating segments

For the three months ended June 30, 2025 (unaudited)

Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	3,465	547	16	4,012	1	717
Interest expenses from externals	8	910	-	918	288	349
Interest revenues, net from externals	3,457	(363)	16	3,094	(287)	368
Interest revenues, net – inter-segment	(2,740)	1,319	(4)	(1,421)	395	258
Total interest revenues, net	717	956	12	1,673	108	626
Total non-interest financing revenues	-	-	-	-	-	-
Total commissions and other revenues	27	184	48	211	16	154
Total non-interest revenues	27	184	48	211	16	154
Total revenues	744	1,140	60	1,884	124	780
Expenses due to credit losses	(3)	34	(4)	31	-	(24)
Operating and other expenses to externals	213	542	18	755	3	290
Operating and other expenses – inter-segment	1	1	-	2	1	1
Total operating and other expenses	214	543	18	757	4	291
Pre-tax profit	533	563	46	1,096	120	513
Provision for taxes on profit	201	213	17	414	45	194
After-tax profit	332	350	29	682	75	319
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	332	350	29	682	75	319
Net profit attributed to non-controlling interests	-	(48)	(1)	(48)	-	2
Net profit attributable to shareholders of the banking corporation	332	302	28	634	75	321
Average balance of assets	231,830	28,235	3,825	260,065	142	37,893
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	231,830	28,235	3,825	260,065	142	37,893
Balance of loans to the public at end of reported period	(3)233,172	27,844	4,565	261,016	146	36,243
Balance of non-accruing debts and debts in arrears over 90 days	2,245	130	-	2,375	-	832
Balance of other problematic debts	-	142	5	142	-	540
Balance of provision for credit losses at end of reported period	1,143	683	-	1,826	1	1,302
Net accounting write-offs in the reported period	-	38	-	38	-	48
Average balance of liabilities	-	134,689	-	134,689	32,097	56,421
Of which: Average balance of deposits from the public	-	134,689	-	134,689	32,097	56,421
Balance of deposits from the public at end of reported period	-	134,900	-	134,900	32,142	55,545
Average balance of risk assets ⁽¹⁾	137,205	23,288	4,482	160,493	114	33,900
Balance of risk assets at end of reported period ⁽¹⁾	137,967	22,681	3,086	160,648	115	34,133
Average balance of assets under management ⁽²⁾	8,823	61,591	-	70,414	30,580	65,859
Breakdown of interest revenues, net:						
Margin from credit granting operations	602	227	11	829	-	306
Margin from activities of receiving deposits	-	711	-	711	108	284
Other	115	18	1	133	-	36
Total interest revenues, net	717	956	12	1,673	108	626

(1) Risk assets – as calculated for capital adequacy purposes (Proper Conduct of Banking Business Directive 201).

(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.

(3) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 10,092.

Notes to condensed financial statements

As of June 30, 2025

				Operations overseas		Total
Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
265	814	19	853	6,681	501	7,182
268	494	933	627	3,877	212	4,089
(3)	320	(914)	226	2,804	289	3,093
180	30	985	(321)	106	(106)	-
177	350	71	(95)	2,910	183	3,093
-	-	-	43	43	-	43
35	83	12	138	649	6	655
35	83	12	181	692	6	698
212	433	83	86	3,602	189	3,791
2	21	8	1	39	17	56
45	62	49	80	1,284	39	1,323
(2)	-	2	(4)	-	-	-
43	62	51	76	1,284	39	1,323
167	350	24	9	2,279	133	2,412
63	133	9	2	860	50	910
104	217	15	7	1,419	83	1,502
-	-	-	6	6	-	6
104	217	15	13	1,425	83	1,508
-	-	-	(9)	(55)	-	(55)
104	217	15	4	1,370	83	1,453
15,728	44,755	5,097	118,715	482,395	33,129	515,524
-	-	-	338	338	-	338
15,728	44,755	5,097	-	363,680	10,426	374,106
16,949	47,148	6,781	-	368,283	12,416	380,699
250	157	-	-	3,614	454	4,068
141	233	-	-	1,056	56	1,112
259	389	17	-	3,794	233	4,027
39	(7)	-	-	118	(2)	116
23,690	46,028	100,926	70,319	464,170	19,746	483,916
23,690	46,028	100,926	-	393,851	18,592	412,443
28,509	41,303	108,247	-	400,646	16,748	417,394
17,353	69,147	1,646	23,060	305,713	15,407	321,120
17,459	70,333	1,275	23,259	307,222	15,435	322,657
20,502	35,219	377,910	3,849	604,333	-	604,333
96	245	8	-	1,484	98	1,582
65	50	61	-	1,279	39	1,318
16	55	2	(95)	147	46	193
177	350	71	(95)	2,910	183	3,093

Notes to condensed financial statements

As of June 30, 2025

Note 12 – Operating Segments – continued

Supervisory operating segments

For the three months ended June 30, 2024 (unaudited)

Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	3,526	552	14	4,078		664
Interest expenses from externals	13	1,009	-	1,022		423
Interest revenues, net from externals	3,513	(457)	14	3,056	(311)	241
Interest revenues, net – inter-segment	(2,793)	1,420	(3)	(1,373)	413	403
Total interest revenues, net	720	963	11	1,683	102	644
Total non-interest financing revenues	-	-	-	-	-	-
Total commissions and other revenues	31	160	42	191	9	153
Total non-interest revenues	31	160	42	191	9	153
Total revenues	751	1,123	53	1,874	111	797
Expenses due to credit losses	12	30	(1)	42	-	88
Operating and other expenses to externals	217	558	17	775	4	264
Operating and other expenses – inter-segment	-	1	-	1	1	1
Total operating and other expenses	217	559	17	776	5	265
Pre-tax profit	522	534	37	1,056	106	444
Provision for taxes on profit	194	199	13	393	39	165
After-tax profit	328	335	24	663	67	279
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	328	335	24	663	67	279
Net profit attributed to non-controlling interests	-	(42)	(1)	(42)	-	(4)
Net profit attributable to shareholders of the banking corporation	328	293	23	621	67	275
Average balance of assets	211,795	26,824	3,692	238,619	122	32,738
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	211,795	26,824	3,692	238,619	122	32,738
Balance of loans to the public at end of reported period	⁽³⁾ 213,385	27,618	4,783	241,003	119	35,290
Balance of non-accruing debts and debts in arrears over 90 days	2,127	126	-	2,253	-	865
Balance of other problematic debts	-	124	3	124	-	629
Balance of provision for credit losses at end of reported period	1,161	670	-	1,831	-	1,433
Net accounting write-offs in the reported period	-	41	-	41	-	13
Average balance of liabilities	-	137,085	-	137,085	29,833	54,555
Of which: Average balance of deposits from the public	-	137,085	-	137,085	29,833	54,555
Balance of deposits from the public at end of reported period	-	135,282	-	135,282	30,937	57,359
Average balance of risk assets ⁽¹⁾	125,979	23,111	4,549	149,090	15	31,937
Balance of risk assets at end of reported period ⁽¹⁾	127,109	23,395	4,477	150,504	9	32,113
Average balance of assets under management ⁽²⁾	9,444	53,015	-	62,459	23,094	54,994
Breakdown of interest revenues, net:						
Margin from credit granting operations	596	254	11	850	-	310
Margin from activities of receiving deposits	-	688	-	688	102	303
Other	124	21	-	145	-	31
Total interest revenues, net	720	963	11	1,683	102	644

(1) Risk assets – as calculated for capital adequacy purposes (Proper Conduct of Banking Business Directive 201).

(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.

(3) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 11,749.

Notes to condensed financial statements

As of June 30, 2025

				Operations overseas		Total
Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
236	740	35	787	6,540	520	7,060
102	465	837	530	3,690	150	3,840
134	275	(802)	257	2,850	370	3,220
27	83	863	(202)	214	(214)	-
161	358	61	55	3,064	156	3,220
-	-	-	26	26	-	26
26	77	11	118	585	4	589
26	77	11	144	611	4	615
187	435	72	199	3,675	160	3,835
1	(74)	3	1	61	48	109
44	76	52	81	1,296	32	1,328
(1)	-	(2)	-	-	-	-
43	76	50	81	1,296	32	1,328
143	433	19	117	2,318	80	2,398
54	162	7	44	864	29	893
89	271	12	73	1,454	51	1,505
-	-	-	3	3	-	3
89	271	12	76	1,457	51	1,508
-	-	-	(10)	(56)	-	(56)
89	271	12	66	1,401	51	1,452
12,477	38,946	1,935	104,299	429,136	31,591	460,727
-	-	-	248	248	-	248
12,477	38,946	1,935	-	324,837	9,233	334,070
12,422	38,085	4,319	-	331,238	10,574	341,812
204	217	-	-	3,539	352	3,891
196	675	-	-	1,624	37	1,661
233	429	10	-	3,936	178	4,114
38	(26)	-	-	66	1	67
14,251	40,517	73,728	64,533	414,502	12,593	427,095
14,251	40,517	73,728	-	349,969	12,360	362,329
13,537	38,961	83,480	-	359,556	14,023	373,579
14,939	56,563	1,226	20,413	274,183	12,227	286,410
15,015	56,802	1,067	21,109	276,619	13,189	289,808
15,100	26,101	413,227	3,352	598,327	-	598,327
104	245	11	-	1,520	76	1,596
45	68	49	-	1,255	28	1,283
12	45	1	55	289	52	341
161	358	61	55	3,064	156	3,220

Notes to condensed financial statements

As of June 30, 2025

Note 12 – Operating Segments – continued

Supervisory operating segments

For the year ended December 31, 2024 (audited)

Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	12,026	2,067	59	14,093	3	2,812
Interest expenses from externals	25	3,342	-	3,367	1,074	1,588
Interest revenues, net from externals	12,001	(1,275)	59	10,726	(1,071)	1,224
Interest revenues, net – inter-segment	(9,205)	5,123	(15)	(4,082)	1,481	1,368
Total interest revenues, net	2,796	3,848	44	6,644	410	2,592
Total non-interest financing revenues	-	-	-	-	-	-
Total commissions and other revenues	123	682	192	805	47	548
Total non-interest revenues	123	682	192	805	47	548
Total revenues	2,919	4,530	236	7,449	457	3,140
Expenses due to credit losses	64	139	5	203	-	156
Operating and other expenses to externals	829	2,234	68	3,063	35	1,039
Operating and other expenses – inter-segment	-	3	-	3	3	6
Total operating and other expenses	829	2,237	68	3,066	38	1,045
Pre-tax profit	2,026	2,154	163	4,180	419	1,939
Provision for taxes on profit	751	799	60	1,550	155	718
After-tax profit	1,275	1,355	103	2,630	264	1,221
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	1,275	1,355	103	2,630	264	1,221
Net profit attributed to non-controlling interests	-	(174)	(3)	(174)	-	(14)
Net profit attributable to shareholders of the banking corporation	1,275	1,181	100	2,456	264	1,207
Average balance of assets	215,013	26,616	3,746	241,629	96	35,924
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	215,013	26,616	3,746	241,629	96	35,924
Balance of loans to the public at end of reported period	⁽³⁾ 225,294	28,111	4,970	253,405	141	37,918
Balance of non-accruing debts and debts in arrears over 90 days	2,141	146	-	2,287	-	895
Balance of other problematic debts	-	126	4	126	-	619
Balance of provision for credit losses at end of reported period	1,180	673	-	1,853	1	1,375
Net accounting write-offs in the reported period	-	144	-	144	-	110
Average balance of liabilities	-	134,768	-	134,768	30,161	57,676
Of which: Average balance of deposits from the public	-	134,768	-	134,768	30,161	57,676
Balance of deposits from the public at end of reported period	-	133,619	-	133,619	30,815	60,622
Average balance of risk assets ⁽¹⁾	128,007	22,814	4,482	150,821	50	31,952
Balance of risk assets at end of reported period ⁽¹⁾	134,087	22,714	4,627	156,801	103	32,628
Average balance of assets under management ⁽²⁾	9,383	53,697	-	63,080	24,275	57,798
Breakdown of interest revenues, net:						
Margin from credit granting operations	2,375	942	44	3,317	1	1,257
Margin from activities of receiving deposits	-	2,840	-	2,840	409	1,206
Other	421	66	-	487	-	129
Total interest revenues, net	2,796	3,848	44	6,644	410	2,592

(1) Risk assets – as calculated for capital adequacy purposes (Proper Conduct of Banking Business Directive 201).

(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.

(3) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 10,949.

Notes to condensed financial statements

As of June 30, 2025

				Operations overseas		Total
Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
988	2,806	89	2,859	23,650	2,148	25,798
491	1,830	3,203	1,687	13,240	744	13,984
497	976	(3,114)	1,172	10,410	1,404	11,814
149	357	3,345	(1,833)	785	(785)	-
646	1,333	231	(661)	11,195	619	11,814
-	-	-	574	574	-	574
104	205	58	545	2,312	21	2,333
104	205	58	1,119	2,886	21	2,907
750	1,538	289	458	14,081	640	14,721
74	(114)	4	1	324	195	519
167	281	173	333	5,091	131	5,222
(2)	1	(8)	(3)	-	-	-
165	282	165	330	5,091	131	5,222
511	1,370	120	127	8,666	314	8,980
189	507	44	47	3,210	116	3,326
322	863	76	80	5,456	198	5,654
-	-	-	16	16	-	16
322	863	76	96	5,472	198	5,670
-	-	-	(27)	(215)	-	(215)
322	863	76	69	5,257	198	5,455
12,642	39,447	4,267	97,916	431,921	33,649	465,570
-	-	-	252	252	-	252
12,642	39,447	4,267	-	334,005	9,797	343,802
13,831	41,999	3,852	-	351,146	10,948	362,094
327	338	-	-	3,847	541	4,388
148	432	-	-	1,325	58	1,383
299	356	8	-	3,892	221	4,113
115	(31)	-	-	338	92	430
14,123	40,450	83,815	58,618	419,611	14,433	434,044
14,123	40,450	83,815	-	360,993	14,149	375,142
14,066	42,312	94,923	-	376,357	17,026	393,383
15,111	58,051	1,529	20,852	278,366	12,588	290,954
15,581	64,010	1,825	22,374	293,322	14,042	307,364
16,210	27,153	423,400	3,387	615,303	-	615,303
386	914	37	-	5,912	354	6,266
210	248	189	-	5,102	107	5,209
50	171	5	(661)	181	158	339
646	1,333	231	(661)	11,195	619	11,814

Note 12 – Operating Segments – continued

B. Operating segments in conformity with the management approach

The Bank manages its operations in six major operating segments, which are distinguished by customer characteristics and type of banking services required, as well as by the organizational unit responsible for servicing each segment. Operating segment definition is based on the Bank's organizational structure, as described below. The operations in the six operating segments include all areas of banking operations including classic banking activity (loans and deposits), securities activity for customers and activity in derivatives, as well as custom banking services designed for needs in specific fields. Operations of the various segments are conducted through Bank branches, the trading room, the business centers, headquarters units of the Bank and Bank subsidiaries in Israel and overseas.

For more information about measurement of Bank operations in conformity with the supervisory segments approach, as specified by the Supervisor of Banks, see information about supervisory operating segments above.

Below are the Bank's operating segments in conformity with the management approach:

Household segment – under the responsibility of the Retail Division. This segment includes small household customers and mortgage operations. The division provides appropriate banking services and financial products to segment customers, including in the field of mortgages.

Small business segment – under responsibility of the Retail Division, which also serves micro business customers (businesses with annual turnover below NIS 10 million) and small businesses (with annual turnover from NIS 10 million to under NIS 50 million). Occasionally, due to growth in activity of a customer served by the Retail Division, the customer may exceed the aforementioned criteria. Banking services and financial products, including commercial banking services as required, are provided to segment customers.

Private banking – The Retail Division is responsible for private banking. Segment customers are primarily individual customers with liquid assets (primarily short-term deposits and security investments) over NIS 1 million. Customers of this segment have high financial wealth, to whom the Bank offers access to unique products and services in capital market activity, advisory service and investment management.

Commercial banking – customers of this segment are private and public companies of medium size (middle market) and medium level of indebtedness, and are served by the Business Banking Division, primarily by the Business sector, which operates via four business centers located throughout Israel. As from 2019, new business customers with annual turnover from NIS 50 million to under NIS 250 million are assigned to the Business sector. Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

Business banking – the Major Corporations sector in the Corporate Division is responsible for the Business Banking segment, which is the focal point for handling the largest business customers. As from 2019, businesses with annual turnover above NIS 250 million are assigned to the Corporate Sector. This segment provides a range of banking and financial services to the largest companies in the economy, in an array of industries, at relatively high levels of indebtedness. Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

Financial management – operations in this segment include, inter alia, management of assets and liabilities, management of exposure to market risk, management of the nostro portfolio and liquidity management as well as trading room operations in the financial and capital markets. The Finance Division is responsible for this segment, except for investments in non-banking corporations, for which the Corporate Division is responsible.

The major products and guidelines for attribution of balances, revenues and expenses to customers in the system to operating segments in conformity with the management approach, are similar to products and guidelines according to the supervisory operating segment approach.

Notes to condensed financial statements

As of June 30, 2025

Note 12 – Operating Segments – continued

Operating segments in conformity with the management approach

For the six months ended June 30, 2025 (unaudited)

Reported amounts (NIS in millions)

	House- holds – other	House- holds – mortgages	Private banking	Small busine- sses	Commer- cial banking	Busin- ess banking	Financial manage- ment	Total consolida- ted
Interest revenues, net:								
From externals	(819)	5,675	(87)	250	117	28	728	5,892
Inter-segment	3,202	(4,520)	116	825	134	1,308	(1,065)	-
Total interest revenues, net	2,383	1,155	29	1,075	251	1,336	(337)	5,892
Non-interest financing revenues	11	-	-	2	-	(20)	192	185
Commissions and other revenues	385	61	9	257	44	242	262	1,260
Total revenues	2,779	1,216	38	1,334	295	1,558	117	7,337
Expenses due to credit losses	44	(35)	-	32	6	111	1	159
Operating and other expenses	1,156	396	15	480	123	299	193	2,662
Pre-tax profit	1,579	855	23	822	166	1,148	(77)	4,516
Provision for taxes on profit	585	317	9	305	62	426	(30)	1,674
After-tax profit	994	538	14	517	104	722	(47)	2,842
Share in net profit of associated companies, after tax	-	-	-	-	-	-	11	11
Net profit:								
Before attribution to non-controlling interests	994	538	14	517	104	722	(36)	2,853
Attributable to non-controlling interests	(92)	-	-	(2)	-	-	(16)	(110)
Net profit attributable to shareholders of the Bank	902	538	14	515	104	722	(52)	2,743
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity) ⁽¹⁾	59.3%	8.4%	-	43.5%	16.1%	13.7%	-	17.0%
Average balance of loans to the public, net	37,691	215,357	260	24,445	10,509	77,399	-	365,661
Average balance of deposits from the public	165,683	-	5,471	51,653	16,112	138,054	26,400	403,373
Average balance of assets	40,937	216,768	376	24,696	10,625	94,930	117,503	505,835
Average balance of risk assets ⁽²⁾	33,898	124,392	167	22,663	12,394	101,111	21,197	315,822

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.

(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Notes to condensed financial statements

As of June 30, 2025

Note 12 – Operating Segments – continued

Operating segments in conformity with the management approach

For the six months ended June 30, 2024 (unaudited)

Reported amounts (NIS in millions)

	House- holds – other	House- holds – mortgages	Private banking	Small busine- sses	Commer- cial banking	Busin- ess banking	Financial manage- ment	Total consolida- ted
Interest revenues, net:								
From externals	(960)	5,447	(85)	261	115	314	813	5,905
Inter-segment	3,225	(4,282)	116	807	139	933	(938)	-
Total interest revenues, net	2,265	1,165	31	1,068	254	1,247	(125)	5,905
Non-interest financing revenues	11	-	-	1	-	58	301	371
Commissions and other revenues	347	61	9	232	41	227	240	1,157
Total revenues	2,623	1,226	40	1,301	295	1,532	416	7,433
Expenses due to credit losses	52	32	-	115	(11)	95	1	284
Operating and other expenses	1,139	392	15	451	107	307	196	2,607
Pre-tax profit	1,432	802	25	735	199	1,130	219	4,542
Provision for taxes on profit	545	305	10	280	76	430	82	1,728
After-tax profit	887	497	15	455	123	700	137	2,814
Share in net profit of associated companies, after tax	-	-	-	-	-	-	12	12
Net profit:								
Before attribution to non-controlling interests	887	497	15	455	123	700	149	2,826
Attributable to non-controlling interests	(38)	-	-	(4)	-	-	(60)	(102)
Net profit attributable to shareholders of the Bank	849	497	15	451	123	700	89	2,724
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity) ⁽¹⁾	56.7%	8.6%	-	41.0%	23.1%	13.8%	-	19.0%
Average balance of loans to the public, net	34,991	196,945	232	23,590	9,164	62,701	-	327,623
Average balance of deposits from the public	164,855	-	5,064	48,790	14,710	109,014	14,375	356,808
Average balance of assets	35,627	198,213	334	23,829	9,272	86,364	102,849	456,488
Average balance of risk assets ⁽²⁾	32,338	114,258	156	21,099	10,822	85,228	18,022	281,923

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.

(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 12 – Operating Segments – continued**Operating segments in conformity with the management approach**

For the three months ended June 30, 2025 (unaudited)

Reported amounts (NIS in millions)

	House- holds – other	House- holds – mortgages	Private banking	Small busine- sses	Commer- cial banking	Busin- ess banking	Financial manage- ment	Total consolida- ted
Interest revenues, net:								
From externals	(504)	3,167	(46)	98	56	12	310	3,093
Inter-segment	1,679	(2,602)	60	437	68	662	(304)	-
Total interest revenues, net	1,175	565	14	535	124	674	6	3,093
Non-interest financing revenues	6	-	-	2	-	(11)	46	43
Commissions and other revenues	194	27	4	127	23	147	133	655
Total revenues	1,375	592	18	664	147	810	185	3,791
Expenses due to credit losses	22	(3)	-	(32)	11	57	1	56
Operating and other expenses	575	202	7	239	60	143	97	1,323
Pre-tax profit	778	393	11	457	76	610	87	2,412
Provision for taxes on profit	294	148	4	172	29	230	33	910
After-tax profit	484	245	7	285	47	380	54	1,502
Share in net profit of associated companies, after tax	-	-	-	-	-	-	6	6
Net profit:								
Before attribution to non-controlling interests	484	245	7	285	47	380	60	1,508
Attributable to non-controlling interests	(45)	-	-	(1)	-	-	(9)	(55)
Net profit attributable to shareholders of the Bank	439	245	7	284	47	380	51	1,453
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity) ⁽¹⁾	57.6%	7.8%	-	47.1%	14.3%	14.0%	-	17.8%

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.

Note 12 – Operating Segments – continued**Operating segments in conformity with the management approach**

For the three months ended June 30, 2024 (unaudited)

Reported amounts (NIS in millions)

	House– holds – other	House– holds – mortgages	Private banking	Small busine– sses	Comme– rcial banking	Busin– ess banking	Financial manage– ment	Total consolida– ted
Interest revenues, net:								
From externals	(570)	3,205	(49)	105	55	126	348	3,220
Inter-segment	1,742	(2,612)	62	439	74	507	(212)	-
Total interest revenues, net	1,172	593	13	544	129	633	136	3,220
Non-interest financing revenues	5	-	-	1	-	11	9	26
Commissions and other revenues	172	32	6	115	20	126	118	589
Total revenues	1,349	625	19	660	149	770	263	3,835
Expenses due to credit losses	40	11	(1)	45	(23)	36	1	109
Operating and other expenses	577	203	6	231	55	158	98	1,328
Pre-tax profit	732	411	14	384	117	576	164	2,398
Provision for taxes on profit	273	153	5	143	44	214	61	893
After-tax profit	459	258	9	241	73	362	103	1,505
Share in net profit of associated companies, after tax	-	-	-	-	-	-	3	3
Net profit:								
Before attribution to non-controlling interests	459	258	9	241	73	362	106	1,508
Attributable to non-controlling interests	(48)	-	-	(4)	-	-	(4)	(56)
Net profit attributable to shareholders of the Bank	411	258	9	237	73	362	102	1,452
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity) ⁽¹⁾	51.9%	9.1%	-	41.9%	28.2%	13.8%	-	19.9%

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.

Note 12 – Operating Segments – continued**Operating segments in conformity with the management approach**

For the year ended December 31, 2024 (audited)

Reported amounts (NIS in millions)

	House- holds – other	House- holds – mortgages	Private banking	Small busine- sses	Commer- cial banking	Busin- ess banking	Financial manage- ment	Total consolida- ted
Interest revenues, net:								
From externals	(1,657)	10,944	(171)	525	238	428	1,507	11,814
Inter-segment	6,329	(8,620)	234	1,635	270	2,000	(1,848)	-
Total interest revenues, net	4,672	2,324	63	2,160	508	2,428	(341)	11,814
Non-interest financing revenues	20	-	-	2	1	101	450	574
Commissions and other revenues	718	121	17	482	86	410	499	2,333
Total revenues	5,410	2,445	80	2,644	595	2,939	608	14,721
Expenses due to credit losses	94	60	1	49	(44)	358	1	519
Operating and other expenses	2,276	777	30	913	202	623	401	5,222
Pre-tax profit (loss)	3,040	1,608	49	1,682	437	1,958	206	8,980
Provision for taxes on profit	1,126	596	18	623	162	725	76	3,326
After-tax profit (loss)	1,914	1,012	31	1,059	275	1,233	130	5,654
Share in net profit of associated companies, after tax	-	-	-	-	-	-	16	16
Net profit (loss):								
Before attribution to non-controlling interests	1,914	1,012	31	1,059	275	1,233	146	5,670
Attributable to non-controlling interests	(175)	-	-	(13)	-	-	(27)	(215)
Net profit (loss) attributable to shareholders of the Bank	1,739	1,012	31	1,046	275	1,233	119	5,455
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity) ⁽¹⁾	59.5%	8.3%	-	47.5%	23.5%	13.3%	-	18.5%
Average balance of loans to the public, net	35,415	201,501	243	24,277	9,500	68,976	-	339,912
Average balance of deposits from the public	164,851	-	5,224	50,549	14,745	115,248	24,525	375,142
Average balance of assets	37,450	202,973	343	24,529	9,627	89,586	101,062	465,570
Average balance of risk assets ⁽²⁾	32,601	116,948	160	21,434	11,246	89,044	19,521	290,954

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.

(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses

Reported amounts (NIS in millions)

A. Debts⁽¹⁾, bonds held to maturity and bonds available for sale and off-balance sheet credit instruments

1. Movement in balance of provision for credit losses

	Provision for credit losses					
	Loans to the public				Banks, governments and bonds	
	Commercial	Housing	Individual – other	Total		Total
For the three months ended June 30, 2025 (unaudited)						
Balance of provision for credit losses at start of period	2,443	1,179	708	4,330	12	4,342
Expenses due to credit losses	24	(3)	34	55	1	56
Accounting write-offs ⁽²⁾	(148)	-	(79)	(227)	-	(227)
Collection of debts written off for accounting purposes in previous years ⁽²⁾	70	-	41	111	-	111
Net accounting write-offs	(78)	-	(38)	(116)	-	(116)
Balance of provision for credit losses at end of period	2,389	1,176	704	4,269	13	4,282
Of which: With respect to off balance sheet credit instruments	189	33	20	242	-	242
For the three months ended June 30, 2024 (unaudited)						
Balance of provision for credit losses at start of period	2,437	1,171	702	4,310	11	4,321
Expenses due to credit losses	66	12	30	108	1	109
Accounting write-offs ⁽²⁾	(100)	-	(77)	(177)	-	(177)
Collection of debts written off for accounting purposes in previous years ⁽²⁾	74	-	36	110	-	110
Net accounting write-offs	(26)	-	(41)	(67)	-	(67)
Balance of provision for credit losses at end of period	2,477	1,183	691	4,351	12	4,363
Of which: With respect to off balance sheet credit instruments	194	22	21	237	-	237
For the six months ended June 30, 2025 (unaudited)						
Balance of provision for credit losses at start of period	2,448	1,213	697	4,358	12	4,370
Expenses due to credit losses	107	(37)	88	158	1	159
Accounting write-offs ⁽²⁾	(274)	-	(165)	(439)	-	(439)
Collection of debts written off for accounting purposes in previous years ⁽²⁾	108	-	84	192	-	192
Net accounting write-offs	(166)	-	(81)	(247)	-	(247)
Balance of provision for credit losses at end of period	2,389	1,176	704	4,269	13	4,282
Of which: With respect to off balance sheet credit instruments	189	33	20	242	-	242
For the six months ended June 30, 2024 (unaudited)						
Balance of provision for credit losses at start of period	2,419	1,149	702	4,270	11	4,281
Expenses due to credit losses	175	34	74	283	1	284
Accounting write-offs ⁽²⁾	(220)	-	(155)	(375)	-	(375)
Collection of debts written off for accounting purposes in previous years ⁽²⁾	103	-	70	173	-	173
Net accounting write-offs	(117)	-	(85)	(202)	-	(202)
Balance of provision for credit losses at end of period	2,477	1,183	691	4,351	12	4,363
Of which: With respect to off balance sheet credit instruments	194	22	21	237	-	237

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

(2) Accounting write-offs presented in the Note primarily consist of write-offs of a technical nature, due to passage of time of customers being in arrears, in conformity with US standards applicable to the Bank in this regard. Thus, for example, the balance of the provision for large non-accruing debts will typically be written off after two years. Debt measured on a group basis will be written off after 150 days in arrears. This means that the Bank's collection efforts may sometimes take longer when compared to the timing for write-off according to accounting rules. Consequently, relatively high balances of "accounting write-offs" and relatively high balances of "Recovery of debts written off in previous years" are presented.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

A. Debts⁽¹⁾, bonds held to maturity and bonds available for sale and off-balance sheet credit instruments

2. Additional information about calculation of the provision for credit losses with respect to debts, and debts for which the provision has been calculated:

	Loans to the public			Banks, governments and bonds	
	Commercial	Housing	Individual – other	Total	Total
June 30, 2025 (unaudited)					
Recorded debt balance					
reviewed on individual basis	106,092	-	18	106,110	52,307 158,417
reviewed on group basis	14,066	233,221	27,302	274,589	- 274,589
Total debts	120,158	(2)233,221	27,320	380,699	52,307 433,006
Provision for credit losses with respect to debts					
reviewed on individual basis	1,671	-	1	1,672	13 1,685
reviewed on group basis	529	1,143	683	2,355	- 2,355
Total provision for credit losses	2,200	1,143	684	4,027	13 4,040
June 30, 2024 (unaudited)					
Recorded debt balance					
reviewed on individual basis	87,746	-	26	87,772	43,552 131,324
reviewed on group basis	13,587	213,474	26,979	254,040	- 254,040
Total debts	101,333	(2)213,474	27,005	341,812	43,552 385,364
Provision for credit losses with respect to debts					
reviewed on individual basis	1,661	-	2	1,663	12 1,675
reviewed on group basis	622	1,161	668	2,451	- 2,451
Total provision for credit losses	2,283	1,161	670	4,114	12 4,126
As of December 31, 2024 (audited)					
Recorded debt balance					
reviewed on individual basis	95,331	-	25	95,356	43,606 138,962
reviewed on group basis	13,950	225,364	27,424	266,738	- 266,738
Total debts	109,281	(2)225,364	27,449	362,094	43,606 405,700
Provision for credit losses with respect to debts					
reviewed on individual basis	1,718	-	2	1,720	12 1,732
reviewed on group basis	541	1,180	672	2,393	- 2,393
Total provision for credit losses	2,259	1,180	674	4,113	12 4,125

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

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 15,263 million (as of June 30, 2024: NIS 14,310 million and as of December 31, 2024: NIS 14,905 million).

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears

	As of June 30, 2025 (unaudited)					
	Problematic ⁽¹⁾			Accruing debts – additional information		
	In good standing ⁽⁵⁾	Accruing	Non-accruing	Total	In arrears 90 days or longer ⁽²⁾	In arrears 30 to 89 days ⁽³⁾
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction ⁽⁴⁾	35,030	174	246	35,450	4	201
Construction and real estate – real estate operations	10,011	97	63	10,171	20	88
Financial services	17,554	4	2	17,560	1	50
Commercial – other	46,651	723	838	48,212	59	201
Total commercial	109,246	998	1,149	111,393	84	540
Private individuals – residential mortgages	230,926	-	2,245	233,171	-	1,927
Private individuals – other	27,047	199	73	27,319	57	141
Total loans to the public – activity in Israel	367,219	1,197	3,467	371,883	141	2,608
Borrower activity overseas						
Public – commercial						
Construction and real estate	3,679	-	426	4,105	-	-
Commercial – other	4,570	56	34	4,660	-	-
Total commercial	8,249	56	460	8,765	-	-
Private individuals	51	-	-	51	-	-
Total loans to the public – activity overseas	8,300	56	460	8,816	-	-
Total loans to the public	375,519	1,253	3,927	380,699	141	2,608

(1) Loans to the public – non-accruing, inferior or under special supervision.

(2) Classified as problematic debts accruing interest revenues.

(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 192 million were classified as problematic debts.

(4) Includes debts amounting to NIS 849 million, extended to certain purchase groups which are in the process of construction.

(5) Includes debts with payment deferral for a period of 180 days or more, which has not yet ended and which was made available during the War to borrowers which were not in financial difficulties, totaling NIS 251 million (commercial debts amounting to NIS 30 million, residential mortgages amounting to NIS 221 million and private individuals' debts amounting to NIS 1 million).

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears – continued

	As of June 30, 2024 (unaudited)					
	Problematic ⁽¹⁾			Accruing debts – additional information		
	In good standing	Accruing	Non-accruing	Total	In arrears 90 days or longer ⁽²⁾	In arrears 30 to 89 days ⁽³⁾
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction ⁽⁴⁾	29,645	333	318	30,296	20	307
Construction and real estate – real estate operations	9,093	53	94	9,240	13	23
Financial services	11,228	5	6	11,239	3	1
Commercial – other	41,344	1,195	770	43,309	50	223
Total commercial	91,310	1,586	1,188	94,084	86	554
Private individuals – residential mortgages	211,254	-	2,127	213,381	-	1,380
Private individuals – other	26,752	162	88	27,002	38	109
Total loans to the public – activity in Israel	329,316	1,748	3,403	334,467	124	2,043
Borrower activity overseas						
Public – commercial						
Construction and real estate	3,479	-	245	3,724	-	-
Commercial – other	3,369	37	119	3,525	-	-
Total commercial	6,848	37	364	7,249	-	-
Private individuals	96	-	-	96	-	-
Total loans to the public – activity overseas	6,944	37	364	7,345	-	-
Total loans to the public	336,260	1,785	3,767	341,812	124	2,043

(1) Loans to the public – non-accruing, inferior or under special supervision.

(2) Classified as problematic debts accruing interest revenues.

(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 287 million were classified as problematic debts.

(4) Includes debts amounting to NIS 918 million, extended to certain purchase groups which are in the process of construction.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears – continued

	As of December 31, 2024 (audited)					
	Problematic ⁽¹⁾			Accruing debts – additional information		
	In good standing ⁽⁵⁾	Accruing	Non-accruing	Total	In arrears 90 days or longer ⁽²⁾	In arrears 30 to 89 days ⁽³⁾
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction ⁽⁴⁾	30,622	219	469	31,310	6	72
Construction and real estate – real estate operations	9,513	65	110	9,688	9	35
Financial services	14,842	29	7	14,878	-	6
Commercial – other	44,251	968	882	46,101	67	222
Total commercial	99,228	1,281	1,468	101,977	82	335
Private individuals – residential mortgages	223,150	-	2,141	225,291	-	1,609
Private individuals – other	27,175	189	83	27,447	63	126
Total public – activity in Israel	349,553	1,470	3,692	354,715	145	2,070
Borrower activity overseas						
Public – commercial						
Construction and real estate	3,292	-	507	3,799	-	-
Commercial – other	3,403	58	44	3,505	-	-
Total commercial	6,695	58	551	7,304	-	-
Private individuals	75	-	-	75	-	-
Total public – activity overseas	6,770	58	551	7,379	-	-
Total public	356,323	1,528	4,243	362,094	145	2,070

(1) Loans to the public – non-accruing, inferior or under special supervision.

(2) Classified as problematic debts accruing interest revenues.

(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 124 million were classified as problematic debts.

(4) Includes debts amounting to NIS 1,019 million, extended to certain purchase groups which are in the process of construction.

(5) Includes debts with payment deferral for a period of 180 days or more, which has not yet ended and which was made available during the War to borrowers which were not in financial difficulties, totaling NIS 2,839 million (commercial debts amounting to NIS 61 million, residential mortgages amounting to NIS 2,764 million and private individuals' debts amounting to NIS 14 million).

Notes to condensed financial statements

As of June 30, 2025

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.B. Credit quality by year when credit was extended

							As of June 30, 2025 (unaudited)		
	Recorded debt balance of term loans to the public						Recorded debt balance of renewable loans	Recorded debt balance of converted loans	Total
	2025	2024	2023	2022	2021	Previous-sly			
Credit quality by year when credit was extended									
Borrower activity in Israel									
Public – commercial									
Construction and real estate – total	13,570	12,522	7,802	3,463	1,983	2,490	3,027	764	45,621
Credit at performing credit rating	13,428	12,380	7,338	2,994	1,725	2,354	2,815	674	43,708
Credit other than at performing credit rating and non-problematic	115	104	355	181	232	82	176	88	1,333
Accruing problematic credit	25	18	87	102	9	15	14	1	271
Non-accruing credit	2	20	22	186	17	39	22	1	309
Accounting write-offs in the reported period	-	1	2	3	1	1	12	-	20
Commercial, other – total	14,330	9,101	4,511	3,635	2,566	2,579	28,536	514	65,772
Credit at performing credit rating	13,326	8,502	4,187	3,238	2,181	2,402	26,358	463	60,657
Credit other than at performing credit rating and non-problematic	783	304	85	206	333	44	1,775	18	3,548
Accruing problematic credit	90	155	90	61	15	47	249	20	727
Non-accruing credit	131	140	149	130	37	86	154	13	840
Accounting write-offs in the reported period	9	22	23	22	3	16	114	12	221
Individuals – residential mortgages – total	16,036	33,309	21,413	33,126	29,743	99,528	16	-	233,171
LTV up to 60%	8,932	18,709	12,493	17,631	16,452	66,787	9	-	141,013
LTV from 60% to 75%	6,773	13,994	8,463	15,135	12,683	31,336	2	-	88,386
LTV over 75%	331	606	457	360	608	1,405	5	-	3,772
Credit at performing credit rating, not in arrears	15,792	32,774	20,750	32,227	28,916	96,235	16	-	226,710
Credit not at performing credit rating, not in arrears	170	358	318	310	262	871	-	-	2,289
In arrears 30-89 days	73	141	218	303	290	902	-	-	1,927
Non-accruing credit	1	36	127	286	275	1,520	-	-	2,245
Accounting write-offs in the reported period	-	-	-	-	-	-	-	-	-
Individuals, other – total	4,861	6,322	3,913	2,633	1,130	1,715	6,666	79	27,319
Credit at performing credit rating, not in arrears	4,773	6,195	3,808	2,557	1,099	1,666	6,549	75	26,722
Credit not at performing credit rating, not in arrears	55	71	56	35	19	44	43	3	326
In arrears 30-89 days	23	27	25	24	6	3	33	-	141
In arrears over 90 days	1	13	11	9	4	2	17	-	57
Non-accruing credit	9	16	13	8	2	-	24	1	73
Accounting write-offs in the reported period	4	29	40	19	8	9	56	-	165
Total loans to the public – activity in Israel	48,797	61,254	37,639	42,857	35,422	106,312	38,245	1,357	371,883
Borrower activity overseas									
Total loans to the public – activity overseas	888	2,170	2,484	864	1,051	1,359	-	-	8,816
Non-problematic credit	888	2,170	2,180	864	1,012	1,186	-	-	8,300
Accruing problematic credit	-	-	16	-	-	40	-	-	56
Non-accruing credit	-	-	288	-	39	133	-	-	460
Accounting write-offs in the reported period	-	-	-	3	-	30	-	-	33
Total loans to the public	49,685	63,424	40,123	43,721	36,473	107,671	38,245	1,357	380,699

Notes to condensed financial statements

As of June 30, 2025

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.B. Credit quality by year when credit was extended – continued

							As of June 30, 2024 (unaudited)		
	Recorded debt balance of term loans to the public						Recorded debt balance of renewable loans converted into term loans	Total	
	2024	2023	2022	2021	2020	Previously			
Credit quality by year when credit was extended									
Borrower activity in Israel									
Public – commercial									
Construction and real estate – total	15,495	10,490	5,789	1,257	831	758	3,576	1,340 39,536	
Credit at performing credit rating	14,686	10,063	5,468	1,105	786	717	3,204	1,110 37,139	
Credit other than at performing credit rating and non-problematic	731	357	88	113	6	8	79	217 1,599	
Accruing problematic credit	70	34	22	12	6	11	219	12 386	
Non-accruing credit	8	36	211	27	33	22	74	1 412	
Accounting write-offs in the reported period	-	3	4	1	1	-	11	- 20	
Commercial, other – total	11,526	6,646	5,515	4,208	3,213	2,349	20,599	492 54,548	
Credit at performing credit rating	10,980	6,204	5,034	3,660	2,971	2,178	18,829	458 50,314	
Credit other than at performing credit rating and non-problematic	351	169	242	389	67	35	995	10 2,258	
Accruing problematic credit	117	175	108	92	53	41	608	6 1,200	
Non-accruing credit	78	98	131	67	122	95	167	18 776	
Accounting write-offs in the reported period	1	24	9	7	7	12	131	- 191	
Individuals – residential mortgages – total	13,007	22,021	35,652	32,193	20,789	89,719	-	- 213,381	
LTV up to 60%	7,318	12,947	18,738	17,341	11,598	60,797	-	- 128,739	
LTV from 60% to 75%	5,401	8,707	15,817	14,345	8,928	27,946	-	- 81,144	
LTV over 75%	288	367	1,097	507	263	976	-	- 3,498	
Credit at performing credit rating, not in arrears	12,811	21,490	34,970	31,519	20,201	86,863	-	- 207,854	
Credit not at performing credit rating, not in arrears	123	327	330	265	187	788	-	- 2,020	
In arrears 30-89 days	62	125	190	155	132	716	-	- 1,380	
Non-accruing credit	11	79	162	254	269	1,352	-	- 2,127	
Accounting write-offs in the reported period	-	-	-	-	-	-	-	- -	
Individuals, other – total	4,546	6,382	4,423	1,955	944	1,838	6,848	66 27,002	
Credit at performing credit rating, not in arrears	4,477	6,236	4,300	1,906	922	1,779	6,736	61 26,417	
Credit not at performing credit rating, not in arrears	48	82	73	30	16	52	46	3 350	
In arrears 30-89 days	5	28	25	8	3	4	36	- 109	
In arrears over 90 days	1	13	10	4	2	2	6	- 38	
Non-accruing credit	15	23	15	7	1	1	24	2 88	
Accounting write-offs in the reported period	1	50	52	13	3	1	34	- 154	
Total loans to the public – activity in Israel	44,574	45,539	51,379	39,613	25,777	94,664	31,023	1,898 334,467	
Borrower activity overseas									
Total loans to the public – activity overseas	1,571	1,836	1,172	1,084	585	1,097	-	- 7,345	
Non-problematic credit	1,541	1,741	1,030	1,025	554	1,053	-	- 6,944	
Accruing problematic credit	-	10	18	9	-	-	-	- 37	
Non-accruing credit	30	85	124	50	31	44	-	- 364	
Accounting write-offs in the reported period	-	10	-	-	-	-	-	- 10	
Total loans to the public	46,145	47,375	52,551	40,697	26,362	95,761	31,023	1,898 341,812	

Notes to condensed financial statements

As of June 30, 2025

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.B. Credit quality by year when credit was extended – continued

	As of December 31, 2024 (audited)						Recorded debt balance of renewable loans converted into term loans		Total
	Recorded debt balance of term loans to the public						Recorded debt balance of renewable loans	Recorded debt balance of renewable loans converted into term loans	
	2024	2023	2022	2021	2020	Previous	renewable loans	into term loans	
Credit quality by year when credit was extended									
Borrower activity in Israel									
Public – commercial									
Construction and real estate – total	19,685	9,181	4,168	2,255	1,045	1,667	2,631	366	40,998
Credit at performing credit rating	19,376	8,919	3,802	1,716	913	1,616	2,254	360	38,956
Credit other than at performing credit rating and non-problematic	270	130	74	460	91	23	127	4	1,179
Accruing problematic credit	23	94	84	61	4	5	12	1	284
Non-accruing credit	16	38	208	18	37	23	238	1	579
Accounting write-offs in the reported period	2	12	6	2	2	1	35	-	60
Commercial, other – total	18,475	5,383	4,452	3,678	2,370	1,664	24,479	478	60,979
Credit at performing credit rating	17,572	5,022	3,923	3,135	2,182	1,527	23,153	385	56,899
Credit other than at performing credit rating and non-problematic	565	117	255	370	50	18	777	42	2,194
Accruing problematic credit	154	147	111	87	39	28	391	40	997
Non-accruing credit	184	97	163	86	99	91	158	11	889
Accounting write-offs in the reported period	18	49	33	11	9	17	213	6	356
Individuals – residential mortgages – total	33,061	22,081	34,437	31,006	19,976	84,730	-	-	225,291
LTV up to 60%	18,268	13,043	18,038	16,905	11,274	57,910	-	-	135,438
LTV from 60% to 75%	13,953	8,628	14,947	13,577	8,442	26,642	-	-	86,189
LTV over 75%	840	410	1,452	524	260	178	-	-	3,664
Credit at performing credit rating, not in arrears	32,607	21,524	33,626	30,226	19,407	81,973	-	-	219,363
Credit not at performing credit rating, not in arrears	334	319	330	265	174	756	-	-	2,178
In arrears 30-89 days	102	144	247	249	142	725	-	-	1,609
Non-accruing credit	18	94	234	266	253	1,276	-	-	2,141
Accounting write-offs in the reported period	-	-	-	-	-	-	-	-	-
Individuals, other – total	8,475	4,968	3,401	1,471	704	1,455	6,889	84	27,447
Credit at performing credit rating, not in arrears	8,336	4,833	3,308	1,435	686	1,409	6,738	78	26,823
Credit not at performing credit rating, not in arrears	94	75	50	23	15	41	49	5	352
In arrears 30-89 days	15	22	15	4	1	4	65	-	126
In arrears over 90 days	7	19	15	5	1	-	16	-	63
Non-accruing credit	23	19	13	4	1	1	21	1	83
Accounting write-offs in the reported period	20	87	70	18	8	3	99	-	305
Total loans to the public – activity in Israel	79,696	41,613	46,458	38,410	24,095	89,516	33,999	928	354,715
Borrower activity overseas									
Total loans to the public – activity overseas	1,846	1,926	764	1,071	478	1,294	-	-	7,379
Non-problematic credit	1,814	1,603	631	1,018	453	1,251	-	-	6,770
Accruing problematic credit	4	30	18	6	-	-	-	-	58
Non-accruing credit	28	293	115	47	25	43	-	-	551
Accounting write-offs in the reported period	-	58	21	2	-	11	-	-	92
Total loans to the public	81,542	43,539	47,222	39,481	24,573	90,810	33,999	928	362,094

Notes to condensed financial statements

As of June 30, 2025

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts⁽¹⁾

	As of June 30, 2025 (unaudited)					
	Balance of non-accruing debts for which a provision has been recognized ⁽¹⁾⁽²⁾	Provision balance	Balance of non-accruing debts for which a provision has not been recognized ⁽¹⁾	Total balance of non-accruing debts ⁽¹⁾	Contractual principal balance of non-accruing debts	Interest revenues recognized ⁽³⁾
Borrower activity in Israel						
Public – commercial						
Construction and real estate	297	24	12	309	442	2
Commercial – other	732	202	108	840	1,250	7
Total commercial	1,029	226	120	1,149	1,692	9
Private individuals – residential mortgages	2,245	112	-	2,245	2,315	-
Private individuals – other	73	42	-	73	142	4
Total loans to the public – activity in Israel	3,347	380	120	3,467	4,149	13
Borrower activity overseas						
Total loans to the public – activity overseas	437	114	23	460	466	-
Total	3,784	494	143	3,927	4,615	13
Of which:						
Measured individually at present value of cash flows	913	197	84	997	1,449	
Measured individually at fair value of collateral	476	115	59	535	657	
Measured on group basis	2,395	182	-	2,395	2,509	

(1) Recorded debt balance.

(2) Debt balance net of accounting write-off, if made.

(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 117 million.

Total average recorded debt balance for non-accruing debt in the six months ended June 30, 2025 amounted to NIS 4,048 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts⁽¹⁾ – Continued

	As of June 30, 2024 (unaudited)					
	Balance of non-accruing debts for which a provision has been recognized ⁽¹⁾⁽²⁾	Provision balance	Balance of non-accruing debts for which a provision has not been recognized ⁽¹⁾	Total balance of non-accruing debts ⁽¹⁾	Contractual principal balance of non-accruing debts	Interest revenues recognized ⁽³⁾
Borrower activity in Israel						
Public – commercial						
Construction and real estate	412	61	-	412	563	2
Commercial – other	759	223	17	776	1,221	9
Total commercial	1,171	284	17	1,188	1,784	11
Private individuals – residential mortgages	2,127	109	-	2,127	2,203	-
Private individuals – other	88	60	-	88	118	4
Total loans to the public – activity in Israel	3,386	453	17	3,403	4,105	15
Borrower activity overseas						
Total loans to the public – activity overseas	364	97	-	364	429	-
Total	3,750	550	17	3,767	4,534	15
Of which:						
Measured individually at present value of cash flows	1,080	317	9	1,089	1,677	
Measured individually at fair value of collateral	379	36	8	387	462	
Measured on group basis	2,291	197	-	2,291	2,395	

(1) Recorded debt balance.

(2) Debt balance net of accounting write-off, if made.

(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 116 million.

Total average recorded debt balance for non-accruing debt in the six months ended June 30, 2024 amounted to NIS 3,692 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts⁽¹⁾ – Continued

	As of December 31, 2024 (audited)					
	Balance of non-accruing debts for which a provision has been recognized ⁽¹⁾⁽²⁾	Provision balance	Balance of non-accruing debts for which a provision has not been recognized ⁽¹⁾	Total balance of non-accruing debts ⁽¹⁾	Contractual principal balance of non-accruing debts	Interest revenues recognized ⁽³⁾
Borrower activity in Israel						
Public – commercial						
Construction and real estate	571	29	8	579	795	4
Commercial – other	796	255	93	889	1,322	14
Total commercial	1,367	284	101	1,468	2,117	18
Private individuals – residential mortgages	2,141	107	-	2,141	2,213	-
Private individuals – other	83	48	-	83	137	6
Total loans to the public – activity in Israel	3,591	439	101	3,692	4,467	24
Borrower activity overseas						
Total loans to the public – activity overseas	541	119	10	551	621	-
Total	4,132	558	111	4,243	5,088	24
Of which:						
Measured individually at present value of cash flows	1,194	254	69	1,263	1,805	
Measured individually at fair value of collateral	634	121	42	676	839	
Measured on group basis	2,304	183	-	2,304	2,444	

(1) Recorded debt balance.

(2) Debt balance net of accounting write-off, if made.

(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 246 million.

Total average recorded debt balance for non-accruing debt in the year ended December 31, 2024 amounted to NIS 3,911 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.1 Quality of credit and state of arrears of debts in financial difficulties that have undergone a change in terms:

	Recorded debt balance				
	Problematic		Not Problematic		
			In arrears		
	Non-accruing	interest revenues	30 days or longer	Not in Arrears	Total ⁽¹⁾⁽²⁾
	June 30, 2025 (unaudited)				
Borrower activity in Israel					
Commercial	112	44	-	57	213
Private individuals – residential mortgages	225	-	27	39	291
Private individuals – other	29	15	1	19	64
Total loans to the public – activity in Israel	366	59	28	115	568
Total loans to the public – activity overseas	-	-	-	-	-
Total loans to the public	366	59	28	115	568
	June 30, 2024 (unaudited)				
Borrower activity in Israel					
Commercial	103	15	-	99	217
Private individuals – residential mortgages	180	-	6	6	192
Private individuals – other	36	2	-	19	57
Total loans to the public – activity in Israel	319	17	6	124	466
Total loans to the public – activity overseas	-	-	-	-	-
Total loans to the public	319	17	6	124	466
	As of December 31, 2024 (audited)				
Borrower activity in Israel					
Commercial	100	17	-	68	185
Private individuals – residential mortgages	214	-	22	48	284
Private individuals – other	34	5	-	19	58
Total loans to the public – activity in Israel	348	22	22	135	527
Total loans to the public – activity overseas	-	-	-	-	-
Total loans to the public	348	22	22	135	527

(1) In the six months ended June 30, 2025 there were no accruing debts, which have undergone changes in terms in previous years and which were no longer included in the disclosure.

(2) As of June 30, 2025 debts of borrowers undergoing financial difficulties have not undergone changes in terms more than twice.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.2 Quality of credit and state of arrears of borrowers in financial difficulties that have undergone a change in terms during the reported period – continued:

	Debts of Borrowers in Financial Difficulties who have Undergone a Change in Terms					
	Recorded debt balance					
	Problematic		Not Problematic			
			In arrears 30 days or longer	Not in Arrears	Total	Net accounting write-offs
	Non-accruing	interest revenues				
	In the Three Months Ending June 30, 2025 (Unaudited)					
Borrower activity in Israel						
Commercial	9	16	-	2	27	1
Private individuals – residential mortgages	35	-	1	-	36	-
Private individuals – other	2	4	-	1	7	-
Total loans to the public – activity in Israel	46	20	1	3	70	1
Total loans to the public – activity overseas	-	-	-	-	-	-
Total loans to the public	46	20	1	3	70	1
	In the Three Months Ending June 30, 2024 (Unaudited)					
Borrower activity in Israel						
Commercial	15	-	-	-	15	1
Private individuals – residential mortgages	79	-	-	-	79	-
Private individuals – other	6	-	-	-	6	-
Total loans to the public – activity in Israel	100	-	-	-	100	1
Total loans to the public – activity overseas	-	-	-	-	-	-
Total loans to the public	100	-	-	-	100	1

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.2 Quality of credit and state of arrears of borrowers in financial difficulties that have undergone a change in terms during the reported period:

	Debts of Borrowers in Financial Difficulties who have Undergone a Change in Terms					
	Recorded debt balance					
	Problematic		Not Problematic			
	In arrears		30 days or longer		Not in Arrears	Net accounting write-offs
	Non-accruing	interest revenues			Total	
	In the Six Months Ending June 30, 2025 (Unaudited)					
Borrower activity in Israel						
Commercial	35	30	-	4	69	2
Private individuals – residential mortgages	76	-	11	-	87	-
Private individuals – other	4	9	-	1	14	1
Total loans to the public – activity in Israel	115	39	11	5	170	3
Total loans to the public – activity overseas	-	-	-	-	-	-
Total loans to the public	115	39	11	5	170	3
	In the Six Months Ending June 30, 2024 (Unaudited)					
Borrower activity in Israel						
Commercial	35	-	-	-	35	2
Private individuals – residential mortgages	133	-	6	6	145	-
Private individuals – other	11	-	-	-	11	1
Total loans to the public – activity in Israel	179	-	6	6	191	3
Total loans to the public – activity overseas	-	-	-	-	-	-
Total loans to the public	179	-	6	6	191	3

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.3 Debts of Borrowers in Financial Difficulties who have Undergone Changes in the Reported Period

	Debts of Borrowers in Financial Difficulties who have Undergone a Change in Terms						
	Total			Type of Change			
	Recorded debt balance	% of Credit Balance	Waiving Interest	Extending Period	Deferring Payments	Extending Period and Waiving Interest	Deferring Payments and Waiving Interest
	In the Three Months Ending June 30, 2025 (Unaudited)						
Borrower activity in Israel							
Commercial	27	0.02	-	3	-	24	-
Private individuals – residential mortgages	36	0.02	-	36	-	-	-
Private individuals – other	7	0.03	-	2	-	5	-
Total loans to the public – activity in Israel	70	0.02	-	41	-	29	-
Total loans to the public – activity overseas	-	-	-	-	-	-	-
Total loans to the public	70	0.02	-	41	-	29	-
	In the Three Months Ending June 30, 2024 (Unaudited)						
Borrower activity in Israel							
Commercial	15	0.02	-	5	-	10	-
Private individuals – residential mortgages	79	0.04	-	73	-	6	-
Private individuals – other	6	0.02	-	2	-	4	-
Total loans to the public – activity in Israel	100	0.03	-	80	-	20	-
Total loans to the public – activity overseas	-	-	-	-	-	-	-
Total loans to the public	100	0.03	-	80	-	20	-

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.3 Debts of Borrowers in Financial Difficulties who have Undergone Changes in the Reported Period

	Monetary Impacts of Change in Terms of Debts of Borrowers with Financial Difficulties			
	Type of Change			
	Average Waiver of Principal	Average Interest (%)	Average Period Extension (in Months)	Average Payment Deferment (in Months)
	In the Three Months Ending June 30, 2025 (Unaudited)			
Borrower activity in Israel				
Commercial	-	1.52	28	-
Private individuals – residential mortgages	-	-	22	-
Private individuals – other	-	2.79	49	-
Total loans to the public – activity in Israel	-	1.74	27	-
Total loans to the public – activity overseas	-	-	-	-
Total loans to the public	-	1.74	27	-
	In the Three Months Ending June 30, 2024 (Unaudited)			
Borrower activity in Israel				
Commercial	-	1.63	43	-
Private individuals – residential mortgages	-	3.55	22	-
Private individuals – other	-	1.55	23	-
Total loans to the public – activity in Israel	-	2.21	25	-
Total loans to the public – activity overseas	-	-	-	-
Total loans to the public	-	2.21	25	-

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.3 Debts of Borrowers in Financial Difficulties who have Undergone Changes in the Reported Period – Continued

	Debts of Borrowers in Financial Difficulties Who Defaulted in the reported Period After Undergoing a Change in Terms ⁽¹⁾						
	Total				Type of Change		
	Recorded debt balance	Waiving Principal	Waiving Interest	Extending Period	Deferring Payments	Extending Period and Waiving Interest	Deferring Payments and Waiving Interest
	In the Three Months Ending June 30, 2025 (Unaudited)						
Borrower activity in Israel							
Commercial	4	-	-	1	-	3	-
Private individuals – residential mortgages	11	-	-	11	-	-	-
Private individuals – other	1	-	-	-	-	1	-
Total loans to the public – activity in Israel	16	-	-	12	-	4	-
Total loans to the public – activity overseas	-	-	-	-	-	-	-
Total loans to the public	16	-	-	12	-	4	-
	In the Three Months Ending June 30, 2024 (Unaudited)						
Borrower activity in Israel							
Commercial	2	-	-	-	-	2	-
Private individuals – residential mortgages	25	-	-	25	-	-	-
Private individuals – other	-	-	-	-	-	-	-
Total loans to the public – activity in Israel	27	-	-	25	-	2	-
Total loans to the public – activity overseas	-	-	-	-	-	-	-
Total loans to the public	27	-	-	25	-	2	-

(1) Debts defaulted in the reported period, after they have undergone a change in the terms of debts of borrowers undergoing financial difficulties, during the 12 months prior to their default date.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.3 Debts of Borrowers in Financial Difficulties who have Undergone Changes in the Reported Period – Continued

	Debts of Borrowers in Financial Difficulties who have Undergone a Change in Terms							
	Total					Type of Change		
	Recorded debt balance	% of Credit Balance	Waiving Principal	Waiving Interest	Extending Period	Deferring Payments	Extending	Deferring
							Period and	Payments
							Waiving Interest	and Waiving Interest
In the Six Months Ending June 30, 2025 (Unaudited)								
Borrower activity in Israel								
Commercial	69	0.06	-	11	23	-	35	-
Private individuals – residential mortgages	87	0.04	-	-	87	-	-	-
Private individuals – other	14	0.05	-	1	3	-	10	-
Total loans to the public – activity in Israel	170	0.05	-	12	113	-	45	-
Total loans to the public – activity overseas	-		-	-	-	-	-	-
Total loans to the public	170	0.04	-	12	113	-	45	-
In the Six Months Ending June 30, 2024 (Unaudited)								
Borrower activity in Israel								
Commercial	35	0.04	-	5	7	-	23	-
Private individuals – residential mortgages	145	0.07	-	-	139	-	6	-
Private individuals – other	11	0.04	-	1	2	-	8	-
Total loans to the public – activity in Israel	191	0.06	-	6	148	-	37	-
Total loans to the public – activity overseas	-		-	-	-	-	-	-
Total loans to the public	191	0.06	-	6	148	-	37	-

Reported amounts (NIS in millions)

2.b.3 Debts of Borrowers in Financial Difficulties who have Undergone Changes in the Reported Period – Continued

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Information on debts of borrowers undergoing financial difficulties that have undergone changes in terms

2.b.3 Debts of Borrowers in Financial Difficulties who have Undergone Changes in the Reported Period – Continued

	Debts of Borrowers in Financial Difficulties Who Defaulted in the reported Period After Undergoing a Change in Terms ⁽¹⁾						
	Total				Type of Change		
	Recorded debt balance	Waiving Principal	Waiving Interest	Extending Period	Deferring Payments	Extending Period and Waiving Interest	Deferring Payments and Waiving Interest
	In the Six Months Ending June 30, 2025 (Unaudited)						
Borrower activity in Israel							
Commercial	5	-	-	1	-	4	-
Private individuals – residential mortgages	19	-	-	19	-	-	-
Private individuals – other	2	-	-	-	-	2	-
Total loans to the public – activity in Israel	26	-	-	20	-	6	-
Total loans to the public – activity overseas	-	-	-	-	-	-	-
Total loans to the public	26	-	-	20	-	6	-
	In the Six Months Ending June 30, 2024 (Unaudited)						
Borrower activity in Israel							
Commercial	3	-	-	-	-	3	-
Private individuals – residential mortgages	58	-	-	58	-	-	-
Private individuals – other	-	-	-	-	-	-	-
Total loans to the public – activity in Israel	61	-	-	58	-	3	-
Total loans to the public – activity overseas	-	-	-	-	-	-	-
Total loans to the public	61	-	-	58	-	3	-

(1) Debts defaulted in the reported period, after they have undergone a change in the terms of debts of borrowers undergoing financial difficulties, during the 12 months prior to their default date.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.C. Additional information about non-accruing credit in arrears

	Not in arrears 90 days or longer	In arrears 90 to 180 days	In arrears 180 days to 1 year	In arrears over 1 year to 3 years	In arrears over 3 years to 5 years	In arrears over 5 years to 7 years	In arrears over 7 years	Total
As of June 30, 2025 (unaudited)								
Commercial	390	231	394	512	65	9	8	1,609
Residential mortgages	215	717	644	484	115	23	47	2,245
Private individuals – other	30	9	14	10	7	2	1	73
Total	635	957	1,052	1,006	187	34	56	3,927
As of June 30, 2024 (unaudited)								
Commercial	430	368	249	452	34	8	11	1,552
Residential mortgages	285	765	491	470	55	20	41	2,127
Private individuals – other	43	22	8	10	5	-	-	88
Total	758	1,155	748	932	94	28	52	3,767
As of December 31, 2024 (audited)								
Commercial	713	138	615	474	62	8	9	2,019
Residential mortgages	197	829	465	502	77	24	47	2,141
Private individuals – other	37	20	8	10	6	1	1	83
Total	947	987	1,088	986	145	33	57	4,243

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

3. Additional information about residential mortgages

Below is the composition of balances by loan-to-value ratio (LTV)⁽¹⁾, repayment type and interest type:

June 30, 2025 (unaudited)				
				Off- balance sheet credit risk
	Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV				
Up to 60%	140,616	7,891	80,858	4,585
Over 60%	92,049	2,687	54,795	4,418
Junior lien or no lien	556	10	337	9,465
Total	233,221	10,588	135,990	18,468

June 30, 2024 (unaudited)				
	Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV				
Up to 60%	128,446	4,630	77,092	3,659
Over 60%	84,522	1,582	51,679	3,514
Junior lien or no lien	506	9	320	9,086
Total	213,474	6,221	129,091	16,259

As of December 31, 2024 (audited)				
	Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV				
Up to 60%	135,110	6,366	79,049	3,838
Over 60%	89,732	2,244	53,838	3,544
Junior lien or no lien	522	11	324	9,396
Total	225,364	8,621	133,211	16,778

(1) Ratio of approved facility upon extending the facility to the property value, as approved by the Bank upon extending the facility.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported sums in millions of NIS

C. Sale, purchase and syndication of loans to the public during the year

1. Sale and purchase of loans to the public

	Credit risk to the public sold				Credit risk to the public purchased ⁽¹⁾			
	Loans to the public sold in the period	Off-balance sheet credit risk ⁽²⁾ sold in the period	Of which: Problematic credit	Total gain (loss) with respect to credit sold	Balance at end of period of credit sold, which is serviced by the Bank	Loans to the public purchased in the period	Off-balance sheet credit risk ⁽²⁾ purchased in the period	Of which: Problematic credit
	For the three months ended June 30, 2025 (unaudited)							
Commercial – other	120	-	-	-	-	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,173	-	-	-
Private individuals – other	-	-	-	-	-	⁽³⁾ 606	-	-
Total credit risk to public	120	-	-	-	4,173	606	-	-
	For the three months ended June 30, 2024 (unaudited)							
Commercial – other	27	-	-	-	-	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,808	-	-	-
Private individuals – other	-	-	-	-	-	⁽³⁾ 302	-	-
Total credit risk to public	27	-	-	-	4,808	302	-	-
	For the six months ended June 30, 2025 (unaudited)							
Commercial – other	120	-	-	-	-	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,173	-	-	-
Private individuals – other	-	-	-	-	-	⁽³⁾ 935	-	-
Total credit risk to public	120	-	-	-	4,173	935	-	-
	For the six months ended June 30, 2024 (unaudited)							
Construction and real estate								
Commercial – other	89	12	-	-	-	428	29	-
Private individuals – residential mortgages	-	-	-	-	4,808	-	-	-
Private individuals – other	-	-	-	-	-	⁽³⁾ 948	-	-
Total credit risk to public	89	12	-	-	4,808	1,376	29	-
	For the year ended December 31, 2024 (audited)							
Commercial – other	125	254	-	-	-	507	29	-
Private individuals – residential mortgages	-	-	-	-	4,488	-	-	-
Private individuals – other	-	-	-	-	-	⁽³⁾ 1,793	-	-
Total credit risk to public	125	254	-	-	4,488	2,300	29	-

(1) Excluding short-term factoring transactions.

(2) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of borrower indebtedness, except for derivatives.

(3) Of which: Loans at 10% which are seller-guaranteed loans (for credit risk).

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

C. Sale, purchase and syndication of loans to the public during the year – continued

2. Syndications and participation in loan syndications

	June 30, 2025					
	Syndication transactions initiated by the Bank				Syndication transactions initiated by others	
	Bank's share		Others' share ⁽²⁾		Bank's share ⁽³⁾	
	Off-balance	Off-balance	Off-balance	Off-balance	Off-balance	Off-balance
	Loans to sheet credit risk ⁽¹⁾	Loans to sheet credit risk ⁽¹⁾	Loans to sheet credit risk ⁽¹⁾	Loans to sheet credit risk ⁽¹⁾	Loans to the public	Loans to the public
	the public	the public	the public	the public	the public	the public
						Unaudited
Construction and real estate	1,895	2,227	1,291	963	1,378	2,614
Commercial – other	4,986	1,921	7,558	2,621	3,284	1,043
Total credit risk to public	6,881	4,148	8,849	3,584	4,662	3,657

	June 30, 2024 ⁽⁴⁾					
	Syndication transactions initiated by the Bank				Syndication transactions initiated by others	
	Bank's share		Others' share ⁽²⁾		Bank's share ⁽³⁾	
	Off-balance	Off-balance	Off-balance	Off-balance	Off-balance	Off-balance
	Loans to sheet credit risk ⁽¹⁾	Loans to sheet credit risk ⁽¹⁾	Loans to sheet credit risk ⁽¹⁾	Loans to sheet credit risk ⁽¹⁾	Loans to the public	Loans to the public
	the public	the public	the public	the public	the public	the public
						Unaudited
Construction and real estate	1,533	2,340	990	1,266	1,449	47
Commercial – other	4,479	2,543	7,710	3,068	2,404	876
Total credit risk to public	6,012	4,883	8,700	4,334	3,853	923

	December 31, 2024 ⁽⁴⁾					
	Syndication transactions initiated by the Bank				Syndication transactions initiated by others	
	Bank's share		Others' share ⁽²⁾		Bank's share ⁽³⁾	
	Off-balance	Off-balance	Off-balance	Off-balance	Off-balance	Off-balance
	Loans to sheet credit risk ⁽¹⁾	Loans to sheet credit risk ⁽¹⁾	Loans to sheet credit risk ⁽¹⁾	Loans to sheet credit risk ⁽¹⁾	Loans to the public	Loans to the public
	the public	the public	the public	the public	the public	the public
						Audited
Construction and real estate	1,656	2,474	1,136	1,121	1,555	839
Commercial – other	4,522	2,283	7,352	2,867	2,942	891
Total credit risk to public	6,178	4,757	8,488	3,988	4,497	1,730

(1) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of borrower indebtedness, except for derivatives.

(2) Not including balances of the parts of others for syndication transactions initiated by the Bank but managed by others.

(3) Excludes syndication transactions initiated by others to extend balance sheet and non-balance sheet credit to foreign governments. The Bank's share of these transactions is NIS 390 million. (As of June 30, 2024: NIS 496 million and as of December 31, 2024: NIS 564 million).

(4) Reclassified

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

D. Off-balance sheet financial instruments

Contractual balances or their denominated amounts at end of quarter

	June 30			December 31		
	2025	2024	2024	2025	2024	2024
	Balance ⁽¹⁾			Provision for credit losses		
	(Unaudited)	(Audited)		(Unaudited)	(Audited)	
Transactions in which the balance represents a credit risk:						
- Un-utilized debtor account and other credit facilities in accounts available on demand	40,253	29,662	34,011	33	33	35
- Guarantees to home buyers	18,236	17,001	18,671	3	5	4
- Irrevocable commitments for loans approved but not yet granted ⁽²⁾	35,682	31,506	33,445	67	45	66
- Unutilized revolving credit card facilities	13,930	12,561	12,928	16	17	17
- Commitments to issue guarantees	16,124	12,944	15,376	2	1	1
- Guarantees and other liabilities ⁽³⁾	15,941	14,459	15,573	69	75	71
- Loan guarantees	4,850	3,910	4,194	51	59	50
- Documentary credit	353	217	272	1	2	1

(1) Contractual balances or their stated amounts at the end of the period, before effect of provision for credit losses.

(2) Includes effect of extension of approval in principle for residential mortgages, from 12 to 24 days, pursuant to update to Proper Conduct of Banking Business Directive 451 regarding "Procedures for extending residential mortgages".

(3) Includes the Bank's liability for its share in the MAOF Clearinghouse risk fund, amounting to NIS 31 million (as of June 30, 2024 and December 31, 2024 a total of NIS 27 million and NIS 29 million, respectively).

Notes to condensed financial statements

As of June 30, 2025

Note 14 – Assets and Liabilities by Linkage Basis

As of June 30, 2025 (unaudited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency ⁽¹⁾			Non-monetary items ⁽²⁾	Total
	Non-linked	CPI-linked	USD	EUR	Other currencies		
Assets							
Cash and deposits with banks	55,388	-	23,035	356	106	-	78,885
Securities	13,284	6,890	17,470	1,035	-	1,025	39,704
Securities borrowed or bought in conjunction with resale agreements	473	-	-	-	-	-	473
Loans to the public, net ⁽³⁾	269,222	82,417	15,934	5,738	3,361	-	376,672
Loans to Governments	-	-	17	282	-	-	299
Investments in associated companies	-	-	-	-	-	375	375
Buildings and equipment	-	-	-	-	-	1,906	1,906
Intangible assets and goodwill	-	-	-	-	-	102	102
Assets with respect to derivatives	7,594	80	729	957	105	-	9,465
Other assets	7,765	435	411	10	34	751	9,406
Total assets	353,726	89,822	57,596	8,378	3,606	4,159	517,287
Liabilities							
Deposits from the public	306,412	31,237	67,759	6,516	5,470	-	417,394
Deposits from banks	528	-	1,478	387	104	-	2,497
Deposits from the Government	17	2	108	1	-	-	128
Bonds and subordinated notes	3,624	30,670	2,038	-	-	-	36,332
Liabilities with respect to derivatives	8,387	86	510	1,114	107	-	10,204
Other liabilities	13,058	2,362	338	8	21	298	16,085
Total liabilities	332,026	64,357	72,231	8,026	5,702	298	482,640
Difference	21,700	25,465	(14,635)	352	(2,096)	3,861	34,647
Impact of hedging derivatives:							
Derivative instruments (other than options)	408	(408)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(16,728)	416	14,862	(629)	2,079	-	-
Net in-the-money options (in terms of underlying asset)	(37)	-	(223)	269	(9)	-	-
Net out-of-the-money options (in terms of underlying asset)	102	-	(88)	(13)	(1)	-	-
Grand total	5,445	25,473	(84)	(21)	(27)	3,861	34,647
Net in-the-money options (capitalized par value)	(10)	-	(294)	314	(10)	-	-
Net out-of-the-money options (capitalized par value)	486	-	(506)	31	(11)	-	-

(1) Includes linked to foreign currency.

(2) Includes derivative instruments whose base relates to a non-monetary item.

(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Notes to condensed financial statements

As of June 30, 2025

Note 14 – Assets and Liabilities by Linkage Basis – continued

As of June 30, 2024 (unaudited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency ⁽¹⁾			Non-monetary items ⁽²⁾	Total
	Non-linked	CPI-linked	USD	EUR	Other currencies		
Assets							
Cash and deposits with banks	60,145	-	25,397	220	150	-	85,912
Securities	13,745	4,126	6,086	668	-	745	25,370
Securities borrowed or bought in conjunction with resale agreements	280	-	-	-	-	-	280
Loans to the public, net ⁽³⁾	233,266	83,885	11,961	5,333	3,253	-	337,698
Loans to Governments	-	-	73	326	-	-	399
Investments in associated companies	-	-	-	-	-	245	245
Buildings and equipment	-	-	-	-	-	1,612	1,612
Intangible assets and goodwill	-	-	-	-	-	132	132
Assets with respect to derivatives	1,378	122	2,983	499	26	-	5,008
Other assets	3,434	284	519	11	21	759	5,028
Total assets	312,248	88,417	47,019	7,057	3,450	3,493	461,684
Liabilities							
Deposits from the public	276,517	26,058	59,820	6,738	4,446	-	373,579
Deposits from banks	948	-	1,238	222	25	-	2,433
Deposits from the Government	12	2	20	4	-	-	38
Bonds and subordinated notes	8,427	28,879	2,272	-	-	-	39,578
Liabilities with respect to derivatives	1,138	125	1,993	336	5	-	3,597
Other liabilities	8,344	2,403	326	10	28	535	11,646
Total liabilities	295,386	57,467	65,669	7,310	4,504	535	430,871
Difference	16,862	30,950	(18,650)	(253)	(1,054)	2,958	30,813
Impact of hedging derivatives:							
Derivative instruments (other than options)	1,518	(1,518)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(19,250)	(292)	18,601	(99)	1,040	-	-
Net in-the-money options (in terms of underlying asset)	(137)	-	8	135	(6)	-	-
Net out-of-the-money options (in terms of underlying asset)	(105)	-	(53)	159	(1)	-	-
Grand total	(1,112)	29,140	(94)	(58)	(21)	2,958	30,813
Net in-the-money options (capitalized par value)	278	-	(204)	(69)	(5)	-	-
Net out-of-the-money options (capitalized par value)	(432)	-	89	341	2	-	-

(1) Includes linked to foreign currency.

(2) Includes derivative instruments whose base relates to a non-monetary item.

(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Notes to condensed financial statements

As of June 30, 2025

Note 14 – Assets and Liabilities by Linkage Basis – continued

As of December 31, 2024 (audited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency ⁽¹⁾			Non-monetary items ⁽²⁾	Total
	Non-linked	CPI-linked	USD	EUR	Other currencies		
Assets							
Cash and deposits with banks	58,444	-	23,747	326	127	-	82,644
Securities	12,754	6,119	7,811	909	-	898	28,491
Securities borrowed or bought in conjunction with resale agreements	264	-	-	-	-	-	264
Loans to the public, net ⁽³⁾	253,275	84,048	12,262	5,239	3,157	-	357,981
Loans to Governments	-	-	40	278	-	-	318
Investments in associated companies	-	-	-	-	-	263	263
Buildings and equipment	-	-	-	-	-	1,852	1,852
Intangible assets and goodwill	-	-	-	-	-	117	117
Assets with respect to derivatives	2,887	101	2,187	342	9	-	5,526
Other assets	6,556	398	486	8	35	704	8,187
Total assets	334,180	90,666	46,533	7,102	3,328	3,834	485,643
Liabilities							
Deposits from the public	290,010	29,729	60,583	6,729	6,332	-	393,383
Deposits from banks	747	-	1,397	385	70	-	2,599
Deposits from the Government	20	2	24	3	-	-	49
Bonds and subordinated notes	6,311	28,401	2,204	-	-	-	36,916
Liabilities with respect to derivatives	3,312	112	1,438	256	5	-	5,123
Other liabilities	11,715	2,310	369	8	27	415	14,844
Total liabilities	312,115	60,554	66,015	7,381	6,434	415	452,914
Difference	22,065	30,112	(19,482)	(279)	(3,106)	3,419	32,729
Impact of hedging derivatives:							
Derivative instruments (other than options)	1,639	(1,639)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(22,316)	165	19,041	(4)	3,114	-	-
Net in-the-money options (in terms of underlying asset)	(430)	-	249	222	(41)	-	-
Net out-of-the-money options (in terms of underlying asset)	(154)	-	145	15	(6)	-	-
Grand total	804	28,638	(47)	(46)	(39)	3,419	32,729
Net in-the-money options (capitalized par value)	307	-	(318)	33	(22)	-	-
Net out-of-the-money options (capitalized par value)	(1,051)	-	693	314	44	-	-

(1) Includes linked to foreign currency.

(2) Includes derivative instruments whose base relates to a non-monetary item.

(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Notes to condensed financial statements

As of June 30, 2025

Note 15 - Cash flows in accordance with contractual repayment date

Reported amounts (NIS in millions)

	Cash flows in accordance with contractual repayment date					
	On-call to 1 day	Over a day to 1 week	Over a week to 1 month	1 to 3 months	Over 3 months to 1 year	Over 1 year to 3 years
As of June 30, 2025						
Cash, deposits and negotiable bonds ⁽³⁾						
Cash and deposits with banks	28,982	32,774	16,648	33	62	223
Negotiable government bonds	-	2	281	12,999	9,940	5,377
Other negotiable bonds	2	7	10	31	289	846
Total cash, deposits and negotiable bonds	28,984	32,783	16,939	13,063	10,291	6,446
Other monetary assets						
Loans to the public ⁽⁴⁾	4,392	3,634	11,353	17,939	48,818	80,376
Other monetary assets excluding derivatives	556	768	1,229	1,006	2,470	1,227
Total other monetary assets excluding derivatives	4,948	4,402	12,582	18,945	51,288	81,603
Monetary liabilities						
Deposits from the public ⁽⁵⁾	144,172	17,362	40,389	108,038	86,107	10,974
Of which: Households and small businesses	75,514	7,895	20,990	41,838	38,845	4,271
Deposits from banks	1,992	12	207	44	180	77
Securities loaned or sold in re-purchase agreements	-	-	-	-	-	-
Bonds and subordinated notes	11	1	24	44	9,917	8,218
Other monetary liabilities excluding derivatives	924	1,309	2,108	1,938	2,583	1,566
Total other monetary liabilities excluding derivatives	147,099	18,684	42,728	110,064	98,787	20,835
Employee rights and off-balance sheet items						
Effect of derivative instruments	-	27	(110)	(207)	271	62
Credit provision undertakings	1,515	(229)	(2,951)	(3,796)	(80,486)	(11,695)
Employees' rights	-	-	(9)	(13)	(62)	(252)
Effect of employee rights and off-balance sheet items	1,515	(202)	(3,070)	(4,016)	(80,277)	(11,885)
Total net cash flows (including NIS and foreign currency)	(111,652)	18,299	(16,277)	(82,072)	(117,485)	55,329
Of which:						
Total cash, deposits and negotiable bonds in foreign currency	13,051	9,985	283	9,573	849	1,901
Total other monetary assets in foreign currency	4,082	1,060	3,645	3,558	4,299	6,275
Total monetary liabilities in foreign currency	28,823	3,644	8,800	19,724	21,751	1,352
Effect of employee rights and off-balance sheet items in foreign currency	(226)	1,453	7,104	2,586	(1,950)	336
Total net cash flows in foreign currency	(11,916)	8,854	2,232	(4,007)	(18,553)	7,160
As of December 31, 2024						
Cash, deposits and negotiable bonds	17,800	46,697	18,252	5,093	8,525	5,910
Other monetary assets excluding derivatives	2,994	4,537	12,609	21,862	43,010	75,676
Deposits from the public	136,496	18,819	39,129	96,795	78,882	13,037
Other monetary liabilities excluding derivatives	2,919	1,379	2,490	2,192	9,935	15,286
Effect of employee rights and off-balance sheet items	(5,573)	(441)	(4,187)	(8,121)	(79,693)	(14,525)
Total net cash flows	(124,194)	30,595	(14,945)	(80,153)	(116,975)	38,738
Of which: Net cash flows in foreign currency	(20,086)	18,069	686	(1,252)	(20,062)	3,854

- (1) As included in Note 31 – "Assets and Liabilities by Linkage Basis", including off-balance sheet amounts in respect of derivatives which are not settled on a net basis.
- (2) The discount rate applied to future contractual cash flows in respect of a monetary item to its balance sheet balance.
- (3) The fair value of cash, deposits and negotiable bonds, which are not pledged, amounts to NIS 116,742 million and NIS 109,142 million as of June 30, 2025 and December 31, 2024, respectively.
- (4) The future contractual cash flows of loans to the public are presented in accordance with the loans' contractual repayment date. Credit in current accounts or current loan accounts, on-call credit and credit in arrears of 30 days or more are presented in the "no repayment date" column. The provision for credit losses is deducted from the relevant cash flows.
- (5) The future cash flows of the deposits are presented based on the earliest withdrawal date allowed under the contract. Deposits, which are available for immediate withdrawal under the contract are presented under the "on-call to 1 day" column.

Notes to condensed financial statements

As of June 30, 2025

Balance sheet balance ⁽¹⁾				
Over 3 years to 5 years	Over 5 years	No repayment date	Total	Effective rate of return ⁽²⁾
112	238	324	78,885	3.85%
2,296	11,304	-	36,316	5.17%
825	699	-	2,363	3.20%
3,233	12,241	324	117,564	4.94%
53,052	295,118	27,205	376,672	5.26%
899	1,506	469	9,427	1.05%
53,951	296,624	27,674	386,099	5.22%
12,955	4,504	-	417,394	3.14%
2,048	1,002	-	190,408	2.71%
-	-	-	2,497	4.17%
-	-	-	-	
8,255	12,553	-	36,332	1.43%
1,782	2,112	309	13,936	1.07%
22,992	19,169	309	470,159	2.28%
(217)	(704)	-	(739)	
(3,482)	(15,928)	-	(117,054)	
(221)	(2,201)	-	(1,979)	
(3,920)	(18,833)	-	(119,772)	
30,272	270,863	27,689	(86,268)	
1,336	8,225	-	42,002	4.16%
2,630	2,389	3,069	25,787	4.95%
181	716	-	84,223	2.24%
(121)	(278)	-	8,974	
3,664	9,620	3,069	(7,460)	
3,086	10,400	302	110,237	4.94%
52,209	287,962	24,706	366,046	5.28%
7,508	4,297	-	393,383	3.16%
8,885	11,442	308	52,038	1.22%
(3,718)	(18,260)	-	(133,863)	
35,184	264,363	24,700	(103,001)	
3,776	11,257	2,200	(8,672)	

Notes to condensed financial statements

As of June 30, 2025

Note 16 – Balances and estimates of fair value of financial instruments

Reported amounts (NIS in millions)

1) Information on the fair value of financial instruments is presented below:

A. Fair value balances

	June 30, 2025 (unaudited)				
	Book balance	Fair value			
		Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾	Total
Financial assets					
Cash and deposits with banks	78,885	22,969	42,705	13,186	78,860
Securities ⁽³⁾	39,704	30,596	8,344	681	39,621
Securities borrowed or purchased in resale agreements	473	473	-	-	473
Loans to the public, net	376,672	6,513	10,248	⁽⁵⁾ 356,929	373,690
Loans to Governments	299	-	-	302	302
Assets with respect to derivatives	9,465	598	7,507	⁽²⁾ 1,360	9,465
Other financial assets	6,385	-	5,187	1,198	6,385
Total financial assets	⁽⁴⁾511,883	61,149	73,991	373,656	508,796
Financial liabilities					
Deposits from the public	417,394	15,412	113,335	289,401	418,148
Deposits from banks	2,497	-	678	1,818	2,496
Deposits from the Government	128	-	-	128	128
Bonds and subordinated notes	36,332	33,054	-	2,091	35,145
Liabilities with respect to derivatives	10,204	599	8,433	⁽²⁾ 1,172	10,204
Other financial liabilities	12,632	1,539	7,067	4,020	12,626
Total financial liabilities	⁽⁴⁾479,187	50,604	129,513	298,630	478,747

(1) Level 1 – Fair value measurements using quoted prices on an active market.

Level 2 – Fair value measurements using other significant observed data.

Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 5 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 129,343 million and NIS 138,708 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 28 million.

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

A. Fair value balances – continued:

	June 30, 2024 (unaudited)				
	Book balance	Fair value			
		Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾	Total
Financial assets					
Cash and deposits with banks	85,912	36,397	48,135	1,336	85,868
Securities ⁽³⁾	25,370	18,867	5,854	489	25,210
Securities borrowed or purchased in resale agreements	280	280	-	-	280
Loans to the public, net	337,698	3,599	11,090	⁽⁵⁾ 320,516	335,205
Loans to Governments	399	-	-	383	383
Assets with respect to derivatives	5,008	226	4,357	⁽²⁾ 425	5,008
Other financial assets	1,953	665	-	1,287	1,952
Total financial assets	⁽⁴⁾ 456,620	60,034	69,436	324,436	453,906
Financial liabilities					
Deposits from the public	373,579	9,598	110,110	252,820	372,528
Deposits from banks	2,433	-	720	1,715	2,435
Deposits from the Government	38	-	-	38	38
Bonds and subordinated notes	39,578	35,587	-	2,187	37,774
Liabilities with respect to derivatives	3,597	225	3,000	⁽²⁾ 372	3,597
Other financial liabilities	7,856	2,170	1,891	3,790	7,851
Total financial liabilities	⁽⁴⁾ 427,081	47,580	115,721	260,922	424,223

(1) Level 1 – Fair value measurements using quoted prices on an active market.

Level 2 – Fair value measurements using other significant observed data.

Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 5 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 104,193 million and NIS 115,222 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 23 million.

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

A. Fair value balances – continued:

	As of December 31, 2024 (audited)				
	Book balance	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾	Fair value
					Total
Financial assets					
Cash and deposits with banks	82,644	32,509	48,996	1,092	82,597
Securities ⁽³⁾	28,491	21,008	6,792	578	28,378
Securities borrowed or purchased in resale agreements	264	264	-	-	264
Loans to the public, net	357,981	6,005	9,930	⁽⁵⁾ 338,207	354,142
Loans to Governments	318	-	-	320	320
Assets with respect to derivatives	5,526	806	4,252	⁽²⁾ 468	5,526
Other financial assets	5,216	⁽⁶⁾ -	⁽⁶⁾ 3,108	2,108	5,216
Total financial assets	⁽⁴⁾ 480,440	60,592	73,078	342,773	476,443
Financial liabilities					
Deposits from the public	393,383	13,370	115,350	265,015	393,735
Deposits from banks	2,599	-	731	1,865	2,596
Deposits from the Government	49	-	-	47	47
Bonds and subordinated notes	36,916	33,408	-	2,200	35,608
Liabilities with respect to derivatives	5,123	807	3,845	⁽²⁾ 471	5,123
Other financial liabilities	11,147	⁽⁶⁾ 1,470	⁽⁶⁾ 5,041	4,630	11,141
Total financial liabilities	⁽⁴⁾ 449,217	49,055	124,967	274,228	448,250

(1) Level 1 – Fair value measurements using quoted prices on an active market.

Level 2 – Fair value measurements using other significant observed data.

Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 5 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 116,234 million and NIS 128,876 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 25 million.

(6) Reclassified.

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value:

1. On recurring basis

	June 30, 2025 (unaudited)			
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
of Government of Israel	5,421	7,785	-	13,206
Of foreign governments	9,953	-	-	9,953
Of banks and financial institutions in Israel	720	51	-	771
Of banks and financial institutions overseas	-	74	-	74
Asset-backed (ABS)	-	53	-	53
Of others in Israel	793	189	-	982
Of others overseas	126	8	8	142
Shares not held for trading	297	33	23	353
Securities held for trading:				
Bonds of the Government of Israel	9,525	102	-	9,627
Bonds of overseas governments	227	-	-	227
Bonds of financial institutions in Israel	-	-	-	-
Bonds of others in Israel	8	-	-	8
Bonds of foreign others	26	-	-	26
Shares held for trading	23	-	-	23
Securities borrowed or purchased in resale agreements	473	-	-	473
Credit with respect to loans to customers	6,513	-	-	6,513
Assets with respect to derivatives⁽¹⁾				
Interest contracts:				
NIS / CPI	-	26	64	90
Other	-	2,358	95	2,453
Currency contracts	61	5,026	1,201	6,288
Contracts for shares	537	97	-	634
Commodities and other contracts	-	-	-	-
Other financial assets	-	5,187	-	5,187
Other	-	-	28	28
Total assets	34,703	20,989	1,419	57,111
Liabilities				
Deposits with respect to borrowing from customers	15,412	-	-	15,412
Liabilities with respect to derivatives⁽¹⁾				
Interest contracts:				
NIS / CPI	-	19	50	69
Other	-	2,206	55	2,261
Currency contracts	62	6,115	1,063	7,240
Contracts for shares	537	93	4	634
Commodities and other contracts	-	-	-	-
Other financial liabilities	1,539	5,187	-	6,726
Other	-	-	-	-
Total liabilities	17,550	13,620	1,172	32,342

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

1. On recurring basis

	June 30, 2024 (unaudited)			
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
of Government of Israel	5,531	5,286	-	10,817
Of foreign governments	573	-	-	573
Of banks and financial institutions in Israel	487	67	-	554
Of banks and financial institutions overseas	2	160	-	162
Asset-backed (ABS)	-	56	-	56
Of others in Israel	887	158	-	1,045
Of others overseas	161	7	2	170
Shares not held for trading	200	48	25	273
Securities held for trading:				
Bonds of the Government of Israel	7,054	72	-	7,126
Bonds of overseas governments	305	-	-	305
Bonds of financial institutions in Israel	6	-	-	6
Bonds of others in Israel	23	-	-	23
Bonds of foreign others	26	-	-	26
Shares held for trading	16	-	-	16
Securities borrowed or purchased in resale agreements	280	-	-	280
Credit with respect to loans to customers	3,599	-	-	3,599
Assets with respect to derivatives⁽¹⁾				
Interest contracts:				
NIS / CPI	-	50	73	123
Other	-	2,306	-	2,306
Currency contracts	68	1,985	351	2,404
Contracts for shares	153	16	1	170
Commodities and other contracts	5	-	-	5
Other financial assets	665	-	-	665
Other	-	-	23	23
Total assets	20,041	10,211	475	30,727
Liabilities				
Deposits with respect to borrowing from customers	9,598	-	-	9,598
Liabilities with respect to derivatives⁽¹⁾				
Interest contracts:				
NIS / CPI	-	93	32	125
Other	-	1,625	55	1,680
Currency contracts	68	1,274	276	1,618
Contracts for shares	152	8	9	169
Commodities and other contracts	5	-	-	5
Other financial liabilities	2,170	-	-	2,170
Other	-	-	-	-
Total liabilities	11,993	3,000	372	15,365

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

1. On recurring basis

	As of December 31, 2024 (audited)			
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
of Government of Israel	5,621	6,280	-	11,901
Of foreign governments	1,811	-	-	1,811
Of banks and financial institutions in Israel	490	55	-	545
Of banks and financial institutions overseas	4	134	-	138
Asset-backed (ABS)	-	56	-	56
Of others in Israel	882	218	-	1,100
Of others overseas	155	8	7	170
Shares not held for trading	271	41	24	336
Securities held for trading:				
Bonds of the Government of Israel	8,057	-	-	8,057
Bonds of overseas governments	150	-	-	150
Bonds of financial institutions in Israel	1	-	-	1
Bonds of others in Israel	16	-	-	16
Bonds of foreign others	24	-	-	24
Shares held for trading	20	-	-	20
Securities borrowed or purchased in resale agreements	264	-	-	264
Credit with respect to loans to customers	6,005	-	-	6,005
Assets with respect to derivatives⁽¹⁾				
Interest contracts:				
NIS / CPI	-	25	81	106
Other	-	2,102	9	2,111
Currency contracts	44	2,004	377	2,425
Contracts for shares	762	121	1	884
Commodities and other contracts	-	-	-	-
Other financial assets⁽²⁾	-	3,108	-	3,108
Other	-	-	25	25
Total assets	24,577	14,152	524	39,253
Liabilities				
Deposits with respect to borrowing from customers	13,370	-	-	13,370
Liabilities with respect to derivatives⁽¹⁾				
Interest contracts:				
NIS / CPI	-	39	66	105
Other	-	1,512	50	1,562
Currency contracts	44	2,175	352	2,571
Contracts for shares	763	119	3	885
Commodities and other contracts	-	-	-	-
Other financial liabilities⁽²⁾	1,470	3,071	-	4,541
Other	-	-	-	-
Total liabilities	15,647	6,916	471	23,034

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(2) Reclassified.

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

2. On non-recurring basis

				June 30, 2025 (unaudited)	For the three months ended June 30, 2025	For the six months ended June 30, 2025
	Fair value					
	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾	Total	Gains (losses)	
Non-accruing credit whose collection is contingent on collateral	-	-	535	535	(2)	(23)
Investments in shares for which no fair value is available	-	-	649	649	17	70

				June 30, 2024 (unaudited)	For the three months ended June 30, 2024	For the six months ended June 30, 2024
	Fair value					
	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾	Total	Gains (losses)	
Non-accruing credit whose collection is contingent on collateral	-	-	387	387	(9)	(13)
Investments in shares for which no fair value is available	-	-	457	457	33	55

				As of December 31, 2024 (audited)		For the year ended December 31, 2024
	Fair value					
	Level 1 ⁽¹⁾	Level 2 ⁽¹⁾	Level 3 ⁽¹⁾	Total	Gains (losses)	
Non-accruing credit whose collection is contingent on collateral	-	-	6 76	676		(92)
Investments in shares for which no fair value is available	-	-	541	541		72

(1) Level 1 – Fair value measurements using quoted prices on an active market.

Level 2 – Fair value measurements using other significant observed data.

Level 3 – Fair value measurements using significant non-observed data.

Notes to condensed financial statements

As of June 30, 2025

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3:

For the three months ended June 30, 2025 (unaudited)										
	Fair value as of March 31, 2025	In statement of profit and loss	Net realized / unrealized gains (losses) included ⁽¹⁾ In statement of other compreh- ensive income under Equity	Acquisi- tions	Sales	Disposi- tions	Transfer to level 3 ⁽³⁾	Transfers from Level 3 ⁽³⁾	Fair value as of June 30, 2025	Unrealized gains (losses) with respect to instru- ments held as of June 30, 2025
Assets										
Securities available for sale										
Bonds:										
Of others in Israel	-	-	-	-	-	-	-	-	-	-
Of others overseas	8	-	-	-	-	-	-	-	8	-
Shares not held for trading	25	-	(2)	-	-	-	-	-	23	(2)
Assets with respect to derivatives⁽²⁾										
Interest contracts:										
NIS / CPI	70	2	-	3	-	(11)	-	-	64	5
Other	14	6	-	83	-	(8)	-	-	95	89
Currency contracts	446	324	-	731	-	(305)	5	-	1,201	1,062
Contracts for shares	-	-	-	-	-	-	-	-	-	-
Commodities and other contracts	-	-	-	-	-	-	-	-	-	-
Other	26	2	-	-	-	-	-	-	28	2
Total assets	589	334	(2)	817	-	(324)	5	-	1,419	1,156
Liabilities										
Liabilities with respect to derivatives⁽²⁾										
Interest contracts:										
NIS / CPI	47	4	-	1	-	(3)	1	-	50	(5)
Other	48	7	-	-	-	-	-	-	55	(7)
Currency contracts	466	426	-	502	-	(337)	6	-	1,063	(933)
Contracts for shares	5	-	-	4	-	(5)	-	-	4	(4)
Other	-	-	-	-	-	-	-	-	-	-
Total liabilities	566	437	-	507	-	(345)	7	-	1,172	(949)

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Notes to condensed financial statements

As of June 30, 2025

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3 – Continued:

	For the three months ended June 30, 2024 (unaudited)									
	Net realized / unrealized gains (losses) included ⁽¹⁾			Acquisitions	Sales	Dispositions	Transfer to level 3 ⁽³⁾	Transfers from Level 3 ⁽³⁾	Fair value as of June 30, 2024	Unrealized gains (losses) with respect to instruments held as of June 30, 2024
	Fair value as of March 31, 2024	In statement of profit and loss	In statement of other comprehensive income under Equity							
Assets										
Securities available for sale										
Bonds:										
Of others in Israel	-	-	-	-	-	-	-	-	-	-
Of others overseas	2	-	-	-	-	-	-	-	2	-
Shares not held for trading	24	-	1	-	-	-	-	-	25	1
Assets with respect to derivatives⁽²⁾										
Interest contracts:										
NIS / CPI	62	9	-	1	-	(4)	5	-	73	9
Other	-	-	-	-	-	-	-	-	-	-
Currency contracts	314	30	-	130	-	(123)	-	-	351	159
Contracts for shares	2	-	-	1	-	(2)	-	-	1	1
Commodities and other contracts	-	-	-	-	-	-	-	-	-	-
Other	18	5	-	-	-	-	-	-	23	5
Total assets	422	44	1	132	-	(129)	5	-	475	175
Liabilities										
Liabilities with respect to derivatives⁽²⁾										
Interest contracts:										
NIS / CPI	28	13	-	3	-	(12)	-	-	32	(16)
Other	53	(1)	-	3	-	-	-	-	55	(1)
Currency contracts	337	(17)	-	113	-	(160)	3	-	276	(96)
Contracts for shares	2	9	-	-	-	(2)	-	-	9	(9)
Other	-	-	-	-	-	-	-	-	-	-
Total liabilities	420	4	-	119	-	(174)	3	-	372	(122)

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3 – Continued:

	For the six months ended June 30, 2025 (unaudited)									
	Fair value as of December 31, 2024	Net realized / unrealized gains (losses) included ⁽¹⁾ In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisitions	Sales	Disposals to level 3 ⁽³⁾	Transfers from Level 3 ⁽³⁾	Transfers to Level 3 ⁽³⁾	Fair value as of June 30, 2025	Unrealized gains (losses) with respect to instruments held as of June 30, 2025
Assets										
Securities available for sale										
Bonds:										
Of others in Israel	-	-	-	-	-	-	-	-	-	-
Of others overseas	7	1	-	-	-	-	-	-	8	1
Shares not held for trading	23	-	-	-	-	-	-	-	23	(1)
Assets with respect to derivatives⁽²⁾										
Interest contracts:										
NIS / CPI	81	(4)	-	5	-	(19)	1	-	64	-
Other	9	7	-	87	-	(8)	-	-	95	90
Currency contracts	377	308	-	1,068	-	(552)	-	-	1,201	1,126
Contracts for shares	1	-	-	-	-	(1)	-	-	-	-
Other	25	3	-	-	-	-	-	-	28	3
Total assets	523	315	-	1,160	-	(580)	1	-	1,419	1,219
Liabilities										
Liabilities with respect to derivatives⁽²⁾										
Interest contracts:										
NIS / CPI	66	2	-	3	-	(21)	-	-	50	(3)
Other	50	3	-	2	-	-	-	-	55	(6)
Currency contracts	352	369	-	846	-	(519)	15	-	1,063	(963)
Contracts for shares	3	2	-	4	-	(5)	-	-	4	(4)
Other	-	-	-	-	-	-	-	-	-	-
Total liabilities	471	376	-	855	-	(545)	15	-	1,172	(976)

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Notes to condensed financial statements

As of June 30, 2025

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3 – Continued:

	For the six months ended June 30, 2024 (unaudited)										
	Net realized / unrealized gains (losses) included ⁽¹⁾		In statement of other comprehensive income –sive under Equity		Acqui-sitions	Sales	Disposi-tions	Transfer to level 3 ⁽³⁾	Transfers from Level 3 ⁽³⁾	Fair value as of June 30, 2024	Unrealized gains (losses) with respect to instruments held as of June 30, 2024
	Fair value as of December 31, 2023	In statement of profit and loss									
Assets											
Securities available for sale											
Bonds:											
Of others in Israel	-	-	-	-	-	-	-	-	-	-	-
Of others overseas	2	-	-	-	-	-	-	-	-	2	-
Shares not held for trading	24	-	1	-	-	-	-	-	-	25	1
Assets with respect to derivatives⁽²⁾											
Interest contracts:											
NIS / CPI	58	12	-	2	-	(9)	10	-	-	73	23
Other	2	(2)	-	-	-	-	-	-	-	-	-
Currency contracts	567	(278)	-	241	-	(179)	-	-	-	351	161
Contracts for shares	1	-	-	2	-	(2)	-	-	-	1	-
Commodities and other contracts	-	-	-	-	-	-	-	-	-	-	-
Other	16	7	-	-	-	-	-	-	-	23	7
Total assets	670	(261)	1	245	-	(190)	10	-	-	475	192
Liabilities											
Liabilities with respect to derivatives⁽²⁾											
Interest contracts:											
NIS / CPI	25	6	-	4	-	(12)	9	-	-	32	(14)
Other	48	2	-	5	-	-	-	-	-	55	(7)
Currency contracts	583	(322)	-	224	-	(212)	3	-	-	276	(85)
Contracts for shares	-	10	-	1	-	(2)	-	-	-	9	(9)
Other	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	656	(304)	-	234	-	(226)	12	-	-	372	(115)

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3 – Continued:

For the year ended December 31, 2024 (audited)										
	Fair value as of December 31, 2023	Net realized / unrealized gains (losses) included ⁽¹⁾ In statement of other comprehen- -sive income under Equity	In statement of profit and loss	Acqui- sitions	Sales	Disposi- -tions	Transfer to level 3 ⁽³⁾	Transfers from Level 3 ⁽³⁾	Fair value as of December 31, 2024	Unrealized gains (losses) with respect to instruments held as of December 31, 2024
Assets										
Securities available for sale										
Bonds:										
Of others in Israel	-	-	-	-	-	-	-	-	-	-
Of others overseas	2	1	-	-	-	(2)	6	-	7	(1)
Shares not held for trading	24	-	-	-	-	-	-	-	24	1
Assets with respect to derivatives⁽²⁾										
Interest contracts:										
NIS / CPI	58	16	-	3	-	(28)	32	-	81	47
Other	2	5	-	2	-	-	-	-	9	8
Currency contracts	567	(283)	-	680	-	(585)	-	(2)	377	354
Contracts for shares	1	-	-	3	-	(3)	-	-	1	1
Other	16	9	-	-	-	-	-	-	25	9
Total assets	670	(252)	-	688	-	(618)	38	(2)	524	419
Liabilities										
Liabilities with respect to derivatives⁽²⁾										
Interest contracts:										
NIS / CPI	25	22	-	7	-	(24)	36	-	66	(65)
Other	48	(5)	-	7	-	-	-	-	50	(3)
Currency contracts	583	(218)	-	601	-	(615)	3	(2)	352	(315)
Contracts for shares	-	15	-	2	-	(12)	-	(2)	3	(3)
Other	-	-	-	-	-	-	-	-	-	-
Total liabilities	656	(186)	-	617	-	(651)	39	(4)	471	(386)

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Notes to condensed financial statements

As of June 30, 2025

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

D. Additional information about non-observed significant data and valuation techniques used in fair value measurement of items classified at Level 3:

	Fair value as of June 30, 2025	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	23	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of foreign others	8	Cash flows discounting	Price	7.75-107.66	40.28
Assets with respect to derivative instruments:					
NIS / CPI	35	Cash flows discounting	Inflationary expectations	2.05%-2.49%	2.43%
Other	1,353	Cash flows discounting	Counter-party credit quality	0.30%-3.10%	1.79%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	48	Cash flows discounting	Inflationary expectations	2.05%-2.49%	2.43%
Other	1,124	Cash flows discounting	Counter-party credit quality	0.30%-2.60%	1.89%

	Fair value as of June 30, 2024	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	25	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of foreign others	2	Cash flows discounting	Price	1.31-100.00	13.41
Assets with respect to derivative instruments:					
NIS / CPI	31	Cash flows discounting	Inflationary expectations	2.89%-3.03%	2.97%
Other	417	Cash flows discounting	Counter-party credit quality	0.30%-2.60%	1.84%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	30	Cash flows discounting	Inflationary expectations	2.92%-3.03%	2.99%
Other	342	Cash flows discounting	Counter-party credit quality	0.30%-3.30%	2.02%

	Fair value as of December 31, 2024	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	24	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of foreign others	7	Cash flows discounting	Price	7.75-90.50	33.40
Assets with respect to derivative instruments:					
NIS / CPI	44	Cash flows discounting	Inflationary expectations	2.57%-2.76%	2.71%
Other	449	Cash flows discounting	Counter-party credit quality	1.20%-3.10%	1.79%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	70	Cash flows discounting	Inflationary expectations	2.57%-2.76%	2.70%
Other	401	Cash flows discounting	Counter-party credit quality	0.30%-3.10%	1.97%

Note 16 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

E. Information regarding uncertainty of fair value measurements to changes in unobserved data

The main valuation technique of significant unobserved data used in measurement of fair value of assets and liabilities at Level 3 is Discounted Cash Flow. The future cash flow for the instrument is derived from the agreement with the counter-party. The discount rate used to discount the cash flow reflects the Bank's assumptions.

The primary unobserved data used in measurement of fair value of bonds is the price of the bonds.

F. Election of fair value option

Should the Bank elect the fair value option, changes to fair value of investments in certain bonds would be recorded to profit and loss, with bonds classified under the portfolio held for trading, although they had not been purchased for this purpose.

The election of the fair value option was made under the following circumstances:

1. Reduce volatility in profit and loss resulting from changes between the original measurement basis of financial instruments designated at the fair value option, and the measurement basis of derivative financial instruments used to manage risks with respect to such investments.
2. Complexity of implementing hedge accounting.
3. More accurate economic presentation of assets managed on fair value basis.

As of June 30, 2025, June 30, 2024 and December 31, 2024, the Bank did not select the fair value option.

Note 17 – Other Matters

- A. In March 2024, the Knesset General Assembly approved the "Special Payment to Achieve Budget Targets Law (Interim Directive – Iron Swords)", 2024, whereby a special payment will be imposed on Israeli banks at a rate of 6% of their profits from activity in Israel (as defined in the VAT Law) in the period between April 1, 2024 and December 31, 2025. The payment and not be recognized as a tax deduction (exempt from this payment are banking groups with total assets on their balance sheet lower than 5% of total assets of banks in Israel). Likewise, the legislation stipulates that total payment on aggregate for all banks in Israel would be capped at NIS 1.2 billion in 2024 and at NIS 1.3 billion in 2025, divided among the banks pro rata to their pre-tax earnings in these periods. The provision for taxes on income in the financial statements for the first half of 2025 includes the impact of the law in question with the requisite adjustments.
- B. In March 2024 the Knesset General Assembly ratified the order that sets the VAT rate increase from 17% to 18% starting January 1, 2025. However, a bank who is subject to the payment of 6% on the profit in 2025 as noted above, shall pay 17% of the salary paid and of the profit produced that year. To be clear, the increase in payroll tax and capital gains tax to 18% will come into effect from the date on which the bank will no longer be committed to the additional payment of 6% as noted. The amendment has no material impact on the Bank's financial statements.
- C. On May 29, 2024, the Bank's Board of Directors, after receiving approval by the Remuneration Committee, approved the offering of options, in accordance with Section 15b(1)(a) of the Securities Law, to the Bank President & CEO and to the other officers of the Bank (other than the Bank directors) and to other managers at the Bank and at Bank subsidiaries, as stated in the employee offering outline dated May 29, 2024, including approval of pools for option warrant issuance in 2024-2026 (hereinafter: "the Outline").
- As resolved by the Board of Directors on March 23, 2025, the following plans for allocating options were approved for 2025 after obtaining the Remuneration Committee's approval:
- Option plan 1 – up to 47,105 options 1 to be awarded to the Bank President & CEO, exercisable for up to 8,909 Bank ordinary shares of NIS 0.1 par value each.
 - Option plan A – up to 397,344 options A to be awarded to up to eight Bank officers who are not gatekeepers, exercisable for up to 75,148 Bank ordinary shares of NIS 0.1 par value each.
 - Option plan B – up to 167,540 options B to be awarded to up to five Bank officers who are gatekeepers, exercisable into up to 31,686 Bank ordinary shares of NIS 0.1 par value each.
 - Option plan C – up to 739,150 options C to be awarded to up to forty three key Bank and Bank subsidiaries' employees exercisable into up to 139,792 ordinary Bank shares of NIS 0.1 par value each.
 - Option plan D – up to 883,600 options D to be awarded to up to a hundred Bank managers employed by the Bank subject to individual employment contracts and other managers at the Bank and at Bank subsidiaries, which have been approved for inclusion in this group, exercisable into up to 167,111 ordinary Bank shares of NIS 0.1 par value each.
 - Option plan E – up to 1,694,500 options E to be awarded to up to two hundred sixty-eight executives employed by the Bank subject to collective agreements, exercisable to up to 320,473 Bank ordinary shares of NIS 0.1 par value each.

The number of options which offerees may actually exercise, pursuant to terms of each plan, would be derived from the eligibility terms set for each plan in the Outline, as follows. Furthermore, issuance of the maximum number of exercise shares, which will arise from the options and which the offerees will be entitled to exercise is merely theoretical, since in practice the Bank would not issue to the offerees the full number of exercise shares pursuant to terms of each plan – but only the number of shares

reflecting the monetary benefit inherent in those options, based, inter alia, on a closing price cap of NIS 211.5 plus linkage differentials from the known CPI upon approval by the Board of Directors to the known CPI upon the exercise date.

In case of dividend distribution, bonus share distribution, rights issuance, split or reverse split of share capital and re-structuring at the Bank, the adjustments shall be made as set forth in the Outline employee offering.

The options issued in the name of the Trustee on behalf of the Bank President & CEO, pursuant to options plan 1, may be exercised as from the second anniversary of the issue date and would expire 18 months after the vesting date, as defined in the Memorandum.

The options issued in the name of the Trustee pursuant to option plans A, B or C would be in three equal lots, which may be exercised as from two years after: (1) The issuance date; (2) April 1, 2028; and (3) April 1, 2029, and each batch of options would expire 18 months after each of said dates.

All options issued pursuant to option plans D and E may be exercised in a single lot from the second anniversary of the issue date and would expire two years after the vesting date, as defined in the Memorandum.

Note 17 – Other Matters - Continued

An offeree's eligibility for options pursuant to each of option plans would be contingent on the Bank's total capital adequacy ratio and Tier I capital ratio for the award year, would not be lower than the minimum ratios stipulated by Bank of Israel directives.

Moreover, eligibility for options shall be determined based on the following criteria, as set forth in the Outline:

- Options A and options B issued to offerees who are officers of the Bank, as noted above, constitute part of these officers' variable remuneration. Officer eligibility to options A or to options B would be determined based on four criteria which are measurable "company-wide criteria" (hereinafter: "the quantitative benchmarks") and based on one qualitative criterion based on supervisor assessment of achievement of individual targets of the officer as defined in the outline.
- Eligibility of offerees who are not officers of the Bank to options C, D, and E, with respect to any bonus year, would be determined exclusively based on the four quantitative benchmarks.

Furthermore, in accordance with the terms listed in the outline, grounds were set for no entitlement to options for these groups.

The quantitative benchmarks specified in the option plan are: return on equity, return on Bank shares relative to benchmark, operating efficiency ratio and average ratio of core deposits.

The exercise price of each option to be issued pursuant to each of the plans for 2025 is NIS 171.5 (subject to adjustments) plus CPI linkage differentials, from the known CPI upon approval by the Board of Directors of the issuance of options to the offerees and until the known CPI upon exercise of the option by the offeree. The exercise price is determined based on the average closing price of Bank ordinary shares on the stock exchange over the thirty trading days preceding the approval date by the Board of Directors of the issuance of the options. Accordingly, note that on the exercise date, an offeree would not be required to pay the exercise price – which would only serve to determine the monetary benefit amount and the number of exercise shares to be actually allotted to the offeree.

In order to calculate the fair value as of the approval date of option issuance by the Board of Directors, as noted above, the terms and conditions of the option plans and the data and assumptions listed in the Outline have been taken into account.

Based on the assumptions listed in the Outline, the fair value of each option warrant to be awarded pursuant to each option plan, as of the approval date by the Board of Directors of the issuance of the options, is as follows:

- Options 1 – NIS 15.37;
- Options A – NIS 15.10;
- Options B – NIS 15.22;
- Options C – NIS 14.74;
- Options D or E – NIS 15.24.

The theoretical benefit value of the options in these approved lots, calculated in accordance with US accounting rules (ASC718 "Share-based Payment"), amounts to NIS 59 million.

The theoretical batch value shall be recognized in the Bank's books of accounts over the vesting period, i.e. from the first quarter of 2025 through the end of the year.

The options were allotted under the "Capital Gain" track, pursuant to the Section 102 of the Income Tax Ordinance. Therefore, any benefit arising to the offerees from exercise of these options will be taxed at the capital gain tax rate applicable to the offerees upon exercise of the options. Therefore, the Bank would not be liable for wages tax with respect to the benefit arising to offerees from exercise of the options pursuant to the option plan. Furthermore, upon payment of tax with respect to this benefit by the offerees, the Bank would not have any tax deductible expense with respect to the aforementioned options.

Note 18 – Events Subsequent to the Balance Sheet Date

- On August 13, 2025, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 726.5 million, constituting 50% of net profit in the second quarter of 2025; this resolution was made after assessing the Bank's capital planning under various scenarios, all further to the Bank's Board of Directors' resolution of June 4, 2025 regarding the new strategic plan.
The dividend amount constitutes 2,794.88% of issued share capital, i.e. 279.49 agorot per NIS 0.1 par value share. The effective date for dividends payment is August 21, 2025 and the payment date is August 28, 2025. The final dividends per share is subject to changes due to realized convertible securities of the Bank. According to accounting rules, this amount will be deducted from retained earnings in the third quarter of 2025.
- On July 17, 2025 - subsequent to balance sheet date - Tfahot Issuance issued to the public Bonds (Series 63 - by way of expansion) with par value of approx. NIS 1.9 billion, contingent subordinated notes (COCO) (Series 71 - by way of expansion) with par value of approx. NIS 0.7 billion and Commercial Papers (Series 5) with par value of approx. NIS 2.0 billion. The total proceeds received amounted to NIS 4.5 billion.

Bank Mizrahi Tefahot

Corporate governance, audit, other information
about the Bank and its management

**Corporate governance, audit, other information about the Bank and its
management**
As of June 30, 2025

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Corporate governance, audit, other information about the Bank and its management

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Corporate governance

Board of Directors and management

Board of Directors

During the first half of 2025, the Bank Board of Directors held 7 plenary meetings. During this period there were also 28 meetings of Board committees and 3 Board member workshops.

The permanent Board committees are: Audit, Credit, Risks Management, IT and Technology Innovation and Remuneration.

Set forth below are the changes in the Bank's Board of Directors during the first half of 2025 and through the publication date of the financial statements:

The Extraordinary General Meeting held on March 3, 2025 resolved to approve re-appointment of Mr. Gilad Rabinovich as an external director in the Bank, pursuant to the Companies Law (also compliant with qualifications for External Board member pursuant to Proper Conduct of Banking Business Directive 301) for a further term of three (3) years (second term in office) starting March 12, 2025. For more information see the Bank's report dated March 3, 2025 (reference no.: 2025-01-014244).

The Extraordinary General Meeting held on August 11, 2025 resolved to approve the re-appointment of Mr. Joseph Fellus as an external director in the Bank, pursuant to the Companies Law (also compliant with qualifications for External Board director pursuant to Proper Conduct of Banking Business Directive 301) for a further term in office of three (3) years (third term in office) starting August 20, 2025. For further details see the Bank's report of August 11, 2025 (Ref. No.: 2025-01-059496).

Bank management and senior officers

On May 20, 2025, the Bank's Board of Directors approved the CEO's recommendation to appoint Mr. Meir Aharoni, as VP, the Bank's Chief Information Officer (CIO) and CEO of Mizrahi Tefahot's Technology Division, further to Ms. Ayala Hakim's notice - of April 24, 2025 - regarding her wish to terminate her service and leave the Bank. Mr. Aharoni's term in office started on July 1, 2025.

Internal Auditor

Information about Internal Audit at the Group, including professional standards applied by Internal Audit, the annual and multi-annual work plan and considerations in setting this plan, the scope of work of the Internal Auditor and their team and reporting of the Internal Auditor's findings are provided in chapter "Corporate governance, audit, other information about the Bank and its management" of the 2024 report.

In the reported period there were no material changes to this information.

Transactions with controlling shareholders and related parties

Transactions with related parties were conducted in the normal course of business, at market terms and at terms and conditions similar to those of transactions with parties not related to the Bank.

Controlling shareholders

The Bank's controlling shareholders as of June 30, 2025 are the Wertheim Group and the Ofer Group.

Holdings of Wertheim Group are through M. W. Z. (Holdings) Ltd. And F&W (Registered Partnership), which hold, as of June 30, 2025, 7.22% and 13.01%, respectively, of the capital and voting rights.

On July 9, 2025, F&W (Registered Partnership) purchased an aggregate number of 175,000 ordinary Bank Mizrahi Tefahot shares of NIS 0.1 par value each. For further details see the Bank's report (Ref. No.: 2025-01-051028).

Holdings of Ofer Group are through L.I.N. (Holdings) Ltd., which holds, directly and through L.A.B.M. (Holdings) Ltd. (a wholly-owned subsidiary thereof) 20.96% of the Bank's capital and voting rights as of June 30, 2025.

On June 29, 2025, L.I.N. (Holdings) Ltd. transferred to L.A.B.M. (Holdings) Ltd. 100,000 ordinary Bank Mizrahi Tefahot shares of NIS 0.1 par value each.

Note that the aforementioned share transfer was conducted between L.I.N. (Holdings) Ltd. and a wholly-owned subsidiary thereof, and does not change the overall holding stake of L.I.N. in Bank shares.

Corporate governance, audit, other information about the Bank and its management

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Shareholder agreements

L.A.B.M. (Holdings) Ltd. Of Ofer Group and Feinberg-Wertheim (Registered Partnership) of Wertheim Group are party to a cooperation agreement for exercising rights associated with Bank shares, dated October 6, 1994 (hereinafter: ("voting agreement"). The aforementioned voting agreement sets forth, inter alia, rules for joint voting of controlling shareholders at General Meetings, for each party's right of refusal upon sale of controlling shares by the other parties, for rights to appoint Board members and rights to appoint the Chairman of the Board of Directors.

Legislation and supervisory directives applicable to Bank Group operations

Laws and regulations

Special Payment for the Achievement of Budgetary Targets Law (Temporary Order – Iron Swords), 2024

In March 2024, the Knesset General Assembly approved the "Special Payment to Achieve Budget Targets Law (Interim Directive – Iron Swords)", 2024, whereby a special payment will be imposed on Israeli banks at a rate of 6% of their profits from activity in Israel (as defined in the VAT Law) in the period between April 1, 2024 and December 31, 2025. This payment would not be tax deductible. Exempt from this payment are banking groups with total assets on their balance sheet lower than 5% of total assets of banks in Israel. However, the legislation stipulates that total payment on aggregate for all banks in Israel would be capped at NIS 1.2 billion in 2024 and at NIS 1.3 billion in 2025, divided among the banks pro rata to their pre-tax earnings in these periods.

The provision for taxes on income in the financial statements for the first half of 2025 includes the effect of the abovementioned law.

In March 2024 the Knesset General Assembly ratified the order that sets the VAT rate increase from 17% to 18% starting January 1, 2025. However, a bank who is subject to the payment of 6% on the profit in 2025 as noted above, shall pay 17% of the salary paid and of the profit produced that year. To be clear, the increase in payroll tax and capital gains tax to 18% will come into effect from the date on which the bank will no longer be committed to the additional payment of 6% as noted. The impact of the amendment on the Financial Statements is not expected to be material.

Supervisor of Banks

Circulars and public reporting directives

Emphasis for the banking system due to the war

Throughout the war, the Bank of Israel issued a customer support outline, which includes supervisory emphasis regarding handling of debts and reporting to the public, while dividing banks' customers to two relevant populations. The customer support outline was extended six times for 3 months each time, during which adjustments were made to the benefits included in the outline and in the relevant populations. On January 14, 2025 the Bank of Israel extended the outline through the end of March 2025, made adjustments to the first group of customers and created a dedicated outline for owners of businesses operating in the north. For further details about the support outline, see the "Corporate governance, audit, other information about the Bank and its management" chapter in the 2024 Annual Financial Statements.

Further to the outlines published following the Iron Swords War, in March 2025 the Bank of Israel published a new voluntary outline for the provision of relief packages and monetary refunds to support banks' customers; the said outline was adopted by the banking system.

In a letter of May 22, 2025 banking corporations were requested to verify that the reports they publish to the public provide full and fair disclosure of the benefits provided to the public as from the report for the second quarter of 2025.

For details regarding reliefs and monetary refunds to support the Bank's customers, see the "Significant developments in management of business operations" in the Bank's Report of the Company's Board of Directors and Management.

In view of Operation Rising Lion, on June 24, 2025, the Banking Supervision Department published Temporary Order 252 as part of a Circular, which includes a number of adjustments designed to give banks the business flexibility they need in order to support customers, who were adversely affected.

The Temporary Order shall be in effect from its publication date through July 24, 2025.

Large-scale exposures

On February 3, 2025, the Supervisor of Banks published a directive, which replaces an existing Proper Conduct of Banking Business Directive No. 313 regarding "Limitations on the Indebtedness of a Borrower and of a Group of Borrowers" with the directive "Large-Scale Exposures" as part of the adaptation of the Proper Conduct of Banking Business Directives to the recommendations of the Basel Committee. The directive's effective date as per the circular is January 1, 2026. The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Corporate governance, audit, other information about the Bank and its management

As of June 30, 2025

“Measurement and Capital Adequacy – the Standardized Approach - Credit Risk”, and “Limitations on Issuing Residential Mortgages”

On April 6, 2025, the Supervisor of Banks published a circular on revision of Proper Conduct of Banking Business Directive No. 203 regarding “Measurement and Capital Adequacy – Credit Risk—the Standardized Approach”, and Directive No. 329 on “Limitations on Issuing Residential Mortgages”. The directive covers property sale contracts where the proportion of sale price, whose payment is postponed to the delivery date (hereinafter - “Contracts with Non-Linear Payment”) exceeds 40%, and stipulates that credit extended under new contracts (subsequent to April 6, 2025 - the directive’s effective date) for the financing of construction projects, where the rate of Contracts with Non-Linear Payment exceeds 25%, shall be weighted at an increased risk weight of 150% for the purpose of calculating the capital ratio. With regard to existing projects as of the directive’s effective date, where the proportion of Contracts with Non-Linear Payment exceeds 25%, the increased risk weight will only apply if the proportion of such contracts increased by more than 5 percentage points compared to the rate on the effective date. In that respect, it was clarified that contracts where a significant portion of the property’s price was paid shall not be included in the calculation of the abovementioned rate.

In addition, as part of the revision of Directive 329 it was decided to limit to 10% the proportion - out of the total residential mortgages extended in the calendar quarter - of bullet and balloon loans, which are subsidized by the developer, and in which the developer pays some or all of the interest payments, when the loan is provided or during its term.

The amendments to these directives under this circular will be in effect through December 31, 2026 came into effect on the circular publication date.

The Bank is applying this directive. The application of the directive does not have, and is not expected to have, a material effect on capital ratios in the Bank’s financial statements.

Publication of condensed information regarding money market funds and central bank bills

On April 9, 2025, the Supervisor of Banks published a circular, which prescribed a new Proper Conduct of Banking Business Directive No. A447, which makes information accessible to customers of banks, such that together with the required disclosure regarding deposits prescribed under Proper Conduct of Banking Business Directive No. 447 information will be published in a uniform format about the money market funds and central bank bills.

The directive’s effective date is six months since its publication date, except for the sections dealing with displaying customer personal data and posting the condensed information on the public website - which will come into force 10 months after the directive’s publication date. The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank’s financial statements.

Proper Conduct of Banking Business Directive 301 - the Board of Directors (Amendment of July 2025)

A circular, which revised Proper Conduct of Banking Business Directive 301 - the Board of Directors - was published on July 14, 2025. The revisions focus on the approval of the appointment of officers, and on the cooling-off period required upon transition of a director, who served in one banking corporation to serve in the Board of Directors of another banking corporation.

The revision stipulates, among other things, that the questionnaire for a candidate for serving as an officer in a banking corporation and the appendices to this questionnaire, which are attached to the directive, will be appended to the notice to the Banking Supervision Department regarding the appointment of an officer in a banking corporation, including the extension of a term in office or reappointment to the same position. The directive also defines the instances in which it will not be required to append the questionnaire.

In addition, the directive added a provision, where under the banking corporation is required to inform the Banking Supervision Department of any material change in the organization’s structure and in the officer’s areas of responsibility and tasks, in order to assess the list of officers, whose appointment must be approved by the Banking Supervision Department.

The revision further stipulates that the cooling off period of a director transitioning from one banking corporation to another shall not be shorter than six months from the end of the officer’s term in office as a director in the other banking corporation.

The questionnaire and the related statements were revised and added based on experience gained by the Banking Supervision Department and in view of various revisions to regulations, including due to the coming into force of the Criminal Information Law and the Rehabilitation regulations and the Privacy Protection Law.

The amendments to this directive will come into force on December 1, 2025. The Bank is preparing to implement the directive. Application of the directive is not expected to have a material effect on the Bank’s financial statements.

Corporate governance, audit, other information about the Bank and its management

As of June 30, 2025

Bank's credit rating

On August 10, 2025, Midroog Ltd. (created in partnership with Moody's International, which owns a 51% equity stake) (hereinafter: "Midroog") left the Bank ratings unchanged. Long-term deposits and senior debt of the Bank are rated Aaa.il / Stable outlook.

Contingent subordinated notes with contractual loss-absorption provisions (CoCo), which qualify as Tier II equity in conformity with provisions of Basel III, are rated Aa3.il (hyb) with a stable outlook.

On May 29, 2025, S&P GLOBAL RATINGS MAALOT LTD (hereinafter: "Maalot") affirmed the Bank's iIAAA issuer rating and changed the rating outlook from negative to stable.

contingent subordinated notes with contractual loss-absorption provisions (CoCo), which qualify as Tier II equity in conformity with provisions of Basel III, are rated iIAA- by Maalot.

In recent months all three international rating agencies downgraded the State of Israel's credit rating, which, in turn, led to the downgrading of the Bank's credit rating:

On May 29, 2025, rating agency S&P Global Ratings (hereinafter: "S&P") affirmed the long-term issuer credit rating at BBB+. The agency affirmed the Bank's short-term issuer credit rating of A-2, and upgraded the rating outlook from negative to stable. In addition, the agency rated the contingent subordinated notes with loss-absorption provisions which qualify as Tier II equity, at BBB-. This series was issued by the Bank on April 7, 2021 by international private placement to institutional investors.

On November 13, 2024, the rating agency Fitch Ratings (hereinafter - "Fitch") affirmed the Bank's Long-Term Issuer Default Rating (IDR) at A- and the Bank's Short Term IDR at F1, with a negative outlook. The rating of the CoCo notes, which include a loss absorption mechanism is BBB.

On October 1, 2024, Moody's rating agency (hereinafter: "Moody's") downgraded the Bank's long-term deposit rating from A3 to Baa1. Negative rating outlook. The agency ratified the Bank's short-term deposit rating of P-2.

The current rating of the State of Israel is as follows:

S&P rates the State of Israel at a rating of A (Negative Outlook).

Fitch rates the State of Israel at a rating of A (Negative Outlook).

Moody's rates the State of Israel at a rating of Baa1 (Negative Outlook).

For more information about the impact of the lowering of the State of Israel's credit rating, see Note 9 to the Financial Statements.

Operating segments

For extensive information about supervisory operating segments, see chapter "Corporate governance, audit, other information about the Bank and its management" of the 2024 financial statements.

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof⁽¹⁾

Reported amounts (NIS in millions)

A. Average balances and interest rates – assets

	For the three months ended June 30, 2025			For the three months ended June 30, 2024		
	Average balance ⁽²⁾	Interest revenues	Revenue rate	Average balance ⁽²⁾	Interest revenues	Revenue rate
	in %			in %		
Interest-bearing assets						
Loans to the public⁽³⁾						
In Israel	351,193	⁽⁷⁾ 5,843	6.66	319,802	⁽⁷⁾ 5,690	7.12
Outside of Israel	11,448	231	8.07	9,438	209	8.86
Total	362,641	6,074	6.70	329,240	5,899	7.17
Loans to the Government						
In Israel	297	3	4.04	384	5	5.21
Outside of Israel	24	-	-	39	2	20.51
Total	321	3	3.74	423	7	6.62
Deposits with banks						
In Israel	2,305	11	1.91	1,161	14	4.82
Outside of Israel	59	-	-	105	2	7.62
Total	2,364	11	1.86	1,266	16	5.06
Deposits with central banks						
In Israel	54,712	580	4.24	⁽¹¹⁾ 56,046	589	4.20
Outside of Israel	18,950	235	4.96	19,518	273	5.59
Total	73,662	815	4.43	75,564	862	4.56
Securities borrowed or purchased in resale agreements						
In Israel	487	6	4.93	276	3	4.35
Outside of Israel	-	-	-	-	-	-
Total	487	6	4.93	276	3	4.35
Bonds held to maturity and available for sale⁽⁴⁾						
In Israel	20,753	227	4.38	15,374	227	5.91
Outside of Israel	2,134	35	6.56	2,041	34	6.66
Total	22,887	262	4.58	17,415	261	5.99
Bonds held for trading⁽⁵⁾						
In Israel	1,751	11	2.51	⁽¹¹⁾ 2,553	12	1.88
Outside of Israel	-	-	-	-	-	-
Total	1,751	11	2.51	2,553	12	1.88
Total interest-bearing assets	464,113	7,182	6.19	426,737	7,060	6.62
Receivables for credit card operations	5,131			4,775		
Other non-interest bearing assets ⁽⁶⁾	39,830			⁽¹¹⁾ 29,171		
Total assets	509,074			460,683		
Total interest-bearing assets attributed to overseas operations	32,615	501	6.14	31,141	520	6.68

See footnotes below.

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries⁽¹⁾ – Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – liabilities and equity

	For the three months ended June 30, 2025			For the three months ended June 30, 2024		
	Average balance ⁽²⁾	Interest expenses (revenues)	Expense (revenue) rate	Average balance ⁽²⁾	Interest expenses (revenues)	Expense (revenue) rate
			in %			in %
Interest-bearing liabilities						
Deposits from the public						
In Israel						
On-call	38,552	334	3.47	33,519	340	4.06
Term deposits	266,809	2,967	4.45	237,629	2,739	4.61
Outside of Israel						
On-call	401	-	-	481	-	-
Term deposits	18,191	178	3.91	11,785	150	5.09
Total	323,953	3,479	4.30	283,414	3,229	4.56
Deposits from the Government						
In Israel	68	-	-	43	-	-
Outside of Israel	-	-	-	-	-	-
Total	68	-	-	43	-	-
Deposits from banks						
In Israel	2,177	16	2.94	3,253	25	3.07
Outside of Israel	3	-	-	3	-	-
Total	2,180	16	2.94	3,256	25	3.07
Securities loaned or sold in re-purchase agreements						
In Israel	5	-	-	-	-	-
Outside of Israel	-	-	-	-	-	-
Total	5	-	-	-	-	-
Bonds and subordinated notes						
In Israel	39,197	579	5.91	35,920	565	6.29
Outside of Israel	-	-	-	-	-	-
Total	39,197	579	5.91	35,920	565	6.29
Other liabilities						
In Israel	2,353	15	2.55	⁽¹¹⁾ 2,971	21	2.83
Outside of Israel	-	-	-	-	-	-
Total	2,353	15	2.55	2,971	21	2.83
Total interest-bearing liabilities	367,756	4,089	4.45	325,604	3,840	4.72
Non-interest bearing deposits from the public	73,947			78,324		
Payables for credit card transactions	4,032			5,494		
Other non-interest bearing liabilities ⁽⁶⁾	29,120			⁽¹¹⁾ 20,581		
Total liabilities	474,855			430,003		
Total equity instruments	34,219			30,680		
Total liabilities and equity instruments	509,074			460,683		
Interest spread			1.74			1.90
Net return⁽⁹⁾ on interest-bearing assets						
In Israel	431,498	2,770	2.57	395,596	2,850	2.88
Outside of Israel	32,615	323	3.96	31,141	370	4.75
Total	464,113	3,093	2.67	426,737	3,220	3.02
Total interest-bearing liabilities attributed to overseas operations	18,595	178	3.83	12,269	150	4.89

See footnotes below.

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries⁽¹⁾ – Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – assets – Continued

	For the six months ended June 30, 2025			For the six months ended June 30, 2024		
	Average balance ⁽²⁾	Interest revenues	Revenue rate	Average balance ⁽²⁾	Interest revenues	Revenue rate
			in %			in %
Interest-bearing assets						
Loans to the public⁽³⁾						
In Israel	347,027	⁽⁷⁾ 10,797	6.22	317,324	⁽⁷⁾ 10,237	6.45
Outside of Israel	11,279	451	8.00	9,214	430	9.33
Total	358,306	11,248	6.28	326,538	10,667	6.53
Loans to the Government						
In Israel	293	6	4.10	403	10	4.96
Outside of Israel	25	1	8.00	44	3	13.64
Total	318	7	4.40	447	13	5.82
Deposits with banks						
In Israel	2,060	21	2.04	1,207	20	3.31
Outside of Israel	102	-	-	140	2	2.86
Total	2,162	21	1.94	1,347	22	3.27
Deposits with central banks						
In Israel	53,795	1,136	4.22	⁽¹¹⁾ 54,619	1,147	4.20
Outside of Israel	19,864	463	4.66	20,716	567	5.47
Total	73,659	1,599	4.34	75,335	1,714	4.55
Securities borrowed or purchased in resale agreements						
In Israel	340	8	4.71	210	5	4.76
Outside of Israel	-	-	-	-	-	-
Total	340	8	4.71	210	5	4.76
Bonds held to maturity and available for sale⁽⁴⁾						
In Israel	19,728	414	4.20	15,098	319	4.23
Outside of Israel	2,123	63	5.93	1,662	54	6.50
Total	21,851	477	4.37	16,760	373	4.45
Bonds held for trading⁽⁵⁾						
In Israel	1,928	18	1.87	⁽¹¹⁾ 2,595	22	1.70
Outside of Israel	-	-	-	-	-	-
Total	1,928	18	1.87	2,595	22	1.70
Total interest-bearing assets	458,564	13,378	5.83	423,232	12,816	6.06
Receivables for credit card operations	5,106			4,719		
Other non-interest bearing assets ⁽⁶⁾	36,977			⁽¹¹⁾ 28,189		
Total assets	500,647			456,140		
Total interest-bearing assets attributed to overseas operations	33,393	978	5.86	31,776	1,056	6.65

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries⁽¹⁾ – Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – liabilities and equity – Continued

	For the six months ended June 30, 2025			For the six months ended June 30, 2024		
	Average balance ⁽²⁾	Interest expenses (revenues)	Expense (revenue) rate	Average balance ⁽²⁾	Interest expenses (revenues)	Expense (revenue) rate
			in %			in %
Interest-bearing liabilities						
Deposits from the public						
In Israel						
On-call	37,145	626	3.37	33,321	679	4.08
Term deposits	257,981	5,567	4.32	233,148	5,074	4.35
Outside of Israel						
On-call	406	-	-	462	-	-
Term deposits	17,472	362	4.14	11,458	298	5.20
Total	313,004	6,555	4.19	278,389	6,051	4.35
Deposits from the Government						
In Israel	62	1	3.23	52	1	3.85
Outside of Israel	-	-	-	-	-	-
Total	62	1	3.23	52	1	3.85
Deposits from banks						
In Israel	2,359	38	3.22	3,616	48	2.65
Outside of Israel	4	-	-	3	-	-
Total	2,363	38	3.22	3,619	48	2.65
Securities loaned or sold in re-purchase agreements						
In Israel	3	-	-	-	-	-
Outside of Israel	-	-	-	-	-	-
Total	3	-	-	-	-	-
Bonds and subordinated notes						
In Israel	40,073	864	4.31	36,255	770	4.25
Outside of Israel	-	-	-	-	-	-
Total	40,073	864	4.31	36,255	770	4.25
Other liabilities						
In Israel	2,645	28	2.12	3,406	41	2.41
Outside of Israel	-	-	-	-	-	-
Total	2,645	28	2.12	3,406	41	2.41
Total interest-bearing liabilities	358,150	7,486	4.18	321,721	6,911	4.30
Non-interest bearing deposits from the public	76,250			77,992		
Payables for credit card transactions	4,069			5,398		
Other non-interest bearing liabilities ⁽⁸⁾	28,427			⁽¹¹⁾ 20,804		
Total liabilities	466,896			425,915		
Total equity instruments	33,751			30,225		
Total liabilities and equity instruments	500,647			456,140		
Interest spread			1.65			1.76
Net return⁽⁹⁾ on interest-bearing assets						
In Israel	425,171	5,276	2.48	391,456	5,147	2.63
Outside of Israel	33,393	616	3.69	31,776	758	4.77
Total	458,564	5,892	2.57	423,232	5,905	2.79
Total interest-bearing liabilities attributed to overseas operations	17,882	362	4.05	11,923	298	5.00

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries⁽¹⁾ – Continued

Reported amounts (NIS in millions)

B. Average balances and interest rates – Further information about interest-bearing assets and liabilities attributed to operations in Israel

	For the three months ended June 30, 2025			For the three months ended June 30, 2024		
	Average balance ⁽²⁾	Interest revenues (expenses)	Revenue (expense) rate	Average balance ⁽²⁾	Interest revenues (expenses)	Revenue (expense) rate
			in %			in %
Israeli currency – non-linked						
Total interest-bearing assets	323,090	4,614	5.71 ⁽¹¹⁾	294,632	4,225	5.74
Total interest-bearing liabilities	240,356	(2,459)	(4.09) ⁽¹¹⁾	231,384	(2,165)	(3.74)
Interest spread			1.62			1.99
Israeli currency – linked to the CPI						
Total interest-bearing assets	84,453	1,782	8.44 ⁽¹¹⁾	84,484	1,980	9.37
Total interest-bearing liabilities	57,220	(930)	(6.50)	49,577	(937)	(7.56)
Interest spread			1.94			1.81
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest-bearing assets	23,955	285	4.76	16,480	335	8.13
Total interest-bearing liabilities	51,585	(522)	(4.05)	32,374	(588)	(7.27)
Interest spread			0.71			0.87
Total – operations in Israel						
Total interest-bearing assets	431,498	6,681	6.19	395,596	6,540	6.61
Total interest-bearing liabilities	349,161	(3,911)	(4.48)	313,335	(3,690)	(4.71)
Interest spread			1.71			1.90

See footnotes below.

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries⁽¹⁾ – Continued

Reported amounts (NIS in millions)

B. Average balances and interest rates – Further information regarding interest-bearing assets and liabilities attributed to operations in Israel – Continued

	For the six months ended June 30, 2025			For the six months ended June 30, 2024		
	Average balance ⁽²⁾	Interest revenues (expenses)	Revenue (expense) rate	Average balance ⁽²⁾	Interest revenues (expenses)	Revenue (expense) rate
			in %			in %
Israeli currency – non-linked						
Total interest-bearing assets	318,831	9,145	5.74 ⁽¹¹⁾	292,537	8,330	5.70
Total interest-bearing liabilities	234,519	(4,740)	(4.04) ⁽¹¹⁾	223,853	(4,164)	(3.72)
Interest spread			1.69			1.97
Israeli currency – linked to the CPI						
Total interest-bearing assets	84,608	2,708	6.40 ⁽¹¹⁾	82,815	2,850	6.88
Total interest-bearing liabilities	55,584	(1,256)	(4.52)	48,251	(1,232)	(5.11)
Interest spread			1.88			1.78
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest-bearing assets	21,732	547	5.03	16,104	580	7.20
Total interest-bearing liabilities	50,165	(1,128)	(4.50)	37,694	(1,217)	(6.46)
Interest spread			0.54			0.75
Total – operations in Israel						
Total interest-bearing assets	425,171	12,400	5.83	391,456	11,760	6.01
Total interest-bearing liabilities	340,268	(7,124)	(4.19)	309,798	(6,613)	(4.27)
Interest spread			1.65			1.74

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries⁽¹⁾ – Continued

Reported amounts (NIS in millions)

C. Analysis of changes to interest revenues and expenses

	For the three months ended June 30, 2025 – compared to the three months ended June 30, 2024			For the six months ended June 30, 2025 – compared to the six months ended June 30, 2024		
	Increase (decrease) due to change ⁽¹⁰⁾			Increase (decrease) due to change ⁽¹⁰⁾		
	Volume	Price	Net change	Volume	Price	Net change
Interest-bearing assets						
Loans to the public						
In Israel	522	(369)	153	924	(364)	560
Outside of Israel	41	(19)	22	83	(62)	21
Total	563	(388)	175	1,007	(426)	581
Other interest-bearing assets						
In Israel	47	(59)	(12)	82	(2)	80
Outside of Israel	(7)	(34)	(41)	(11)	(88)	(99)
Total	40	(93)	(53)	71	(90)	(19)
Total interest revenues	603	(481)	122	1,078	(516)	562
Interest-bearing liabilities						
Deposits from the public						
In Israel	370	(148)	222	601	(161)	440
Outside of Israel	61	(33)	28	121	(57)	64
Total	431	(181)	250	722	(218)	504
Other interest-bearing liabilities						
In Israel	22	(23)	(1)	37	34	71
Outside of Israel	-	-	-	-	-	-
Total	22	(23)	(1)	37	34	71
Total interest expenses	453	(204)	249	759	(184)	575

(1) Information in these tables is after the effect of hedging derivative instruments.

(2) Based on balance at start of month (in Israeli currency – non-linked segment: based on daily balances).

(3) Before deduction of average balance sheet balance of provisions for credit losses. Includes impaired debt not accruing interest revenues.

(4) From the average balance of bonds available for sale for the three-month periods ended June 30, 2025 and June 30, 2024, and for the six-month periods ended June 30, 2025 and June 30, 2024, we deducted (added) the average balance of unrealized gains (losses) from adjustment to fair value of bonds available for sale, included in equity under Cumulative Other Comprehensive Income, under the "Adjustments with respect to presentation of securities available for sale at fair value" line item, amounting to NIS (137) million, NIS (314) million, NIS (150) million and NIS (307) million, respectively.

(5) From the average balance of bonds held for trading, for the three-month periods ended June 30, 2025 and June 30, 2024, and for the six-month periods ended June 30, 2025 and June 30, 2024, we deducted (added) the average balance of unrealized gains from adjustment to fair value of bonds held for trading amounting to NIS 140 million, NIS (156) million, NIS 173 million and NIS (120) million, respectively.

(6) Includes derivative instruments, other non-interest bearing assets, net of provision for credit losses.

(7) Commissions amounting to NIS 121 million, NIS 121 million, NIS 257 million and NIS 259 million were included in interest revenues for the three-month periods ended June 30, 2025 and June 30, 2024 and for the six-month periods ended June 30, 2025 and June 30, 2024, respectively.

(8) Includes derivative instruments.

(9) Net return – net interest revenues divided by total interest-bearing assets.

(10) The change attributed to change in volume was calculated by multiplying the new price and the change in volume. The change attributed to change in price was calculated by multiplying the old volume and the change in price.

(11) Reclassified

Glossary and index of terms included on the financial statements

Below is a summary of terms used on the financial statements:

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 default before final settlement of cash flows in the transaction. CVA – Credit Valuation Adjustment – CVA is the component of the fair value of a derivative, which accounts for the credit risk of the counter-party to the transaction. CVA risk is the risk of loss from revaluation to market value due to expected counter-party risk for over-the-counter (OTC) derivatives. That is to say, loss due to impairment of fair value of derivatives, due to an increase in counter-party credit risk (such as: rating downgrade).
E	EVE – Economic Value of Equity – The economic value approach used to analyze and assess the effect of changes in interest rates on the fair value of assets, liabilities and off-balance sheet positions of the Bank.
I	ICAAP – Internal Capital Adequacy Assessment Process by the Bank. 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	Loan to Value (LTV) – The ratio between the approved facility when extended and the asset value.
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	Pillar 2 – The second pillar of the Basel II framework, referring to the regulatory review process. This part is composed of the following underlying principles: The Bank shall conduct an ICAAP, as defined above. The Supervisor 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 framework, designed to promote market discipline by developing a set of disclosure requirements that would allow market participants to assess capital, risk exposure and risk assessment processes, and accordingly – assess the bank's capital adequacy.
R	Regulatory capital (total capital) – Regulatory capital is composed of two tiers: Tier I capital, which includes common equity Tier I capital and additional Tier I capital. Tier II capital. As defined in Proper Conduct of Banking Business Directive 202 - Measurement & Capital Adequacy - Regulatory Capital. Risk assets – These consist of credit risk, operational risk and market risk, calculated using the standard approach as stated in Proper Conduct of Banking Business Directives 201-211. Risks document – A document which summarizes 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 every quarter.
S	SOFR (Secured Overnight Financing Rate) – an interest rate used by banks to price USD-linked derivatives and loans. This interest rate is based on transactions where investors offer to banks loans secured by their bonds. The Federal Reserve started publishing this rate in April 2018, as part of the effort to replace the LIBOR interest. 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 using a formula which is based on regulatory assessment components defined by the Supervisor of Banks.
S	Stress tests – a range of methods designed to assess the financial position of a banking corporation under a stress scenario. Subordinated obligatory notes – notes whose rights are subordinated to claims by other Bank creditors, except for other obligatory notes of the same type.
V	VAR – A model used to assess total exposure to various market risks. The VAR (Value at Risk) arising from the model is a statistical estimate of the maximum potential loss the Bank may suffer due to materialization of market risks in a given period at a pre-determined statistical confidence level.

Banking and finance terms

A	Active market – Market where transactions involving an asset or liability are conducted with sufficient frequency and volume to provide regular information about pricing of assets and liabilities.
	Average duration – Average duration of bonds. Measured in years, by weighting principal and interest payments for the bond over its life, through final maturity. The average duration of bonds reflects the financial instrument's sensitivity to changes in interest rates. Average duration is calculated as the ratio of weighted average payments to price of the bond.
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	Debt secured by collateral – Impaired debt expected to be repaid by realizing collateral provided to secure it.
	Debt under re-structuring – Troubled debt under re-structuring is defined as debt for which, for economic or legal reasons related to financial difficulties of the debtor, the Bank has made a concession by way of a modification to the terms of the debt, in order to ease the burden on the debtor of cash payments in the near term (reduction or deferral of cash payments due from the debtor), or by way of receiving other assets as debt repayment (in whole or in part).
	Debt under special supervision – Debt under special supervision is debt with potential weaknesses that require special attention from the Bank's management. If such weaknesses are not addressed, the likelihood of debt repayment may decline.
	Derivatives – A financial instrument or contract whose value changes in response to changes in the price of the underlying asset (a financial instrument, physical asset, price index, credit rating or other underlying assets), requires a small or minimal initial investment, compared to other contract types, and is expected to be settled on a future date.
F	Financial instrument – A contract that creates a financial asset for one entity and a financial liability or capital instrument for another entity.
I	Impaired debt – A debt will be classified as an impaired debt when payment of principal or interest with respect to such debt is in arrears 90 days or longer, unless the debt is well secured and is being collected. Furthermore, any debt whose terms and conditions have been modified in a re-structuring of troubled debt shall be classified as an impaired debt, unless prior to and following such re-structuring, a provision for credit losses by extent of arrears has been made for such debt, in accordance with the appendix to Proper Conduct of Banking Business Directive 314 regarding problem debts in residential mortgages.
	Indebtedness – On- and off-balance sheet credit, as defined in Proper Conduct of Banking Business Directive 313.
O	Off-balance sheet credit – engagements for provision of credit and guarantees (excluding derivative instruments).
	OTC – Over the Counter – Transaction involving financial instruments conducted over the counter rather than on a stock exchange.
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.
S	Subordinated debt – a subordinated debt is a debt which is insufficiently secured by collateral or by debtor repayment capacity, and for which the Bank may incur a loss if deficiencies are not corrected, including debt over NIS 700 thousand which is 60-89 days in arrears.
	Syndication – Loan extended jointly by a group of lenders.
T	Troubled debts – Debts classified under one of the following negative classifications: Special supervision, subordinate or impaired.

Terms with regard to regulatory directives

F	FATCA – Foreign Accounts Tax Compliance Law – The US Foreign Accounts Tax Compliance Law stipulates mandatory reporting to the US tax authority (IRS) of accounts held by US persons with foreign financial institutions (outside the USA).
L	LCR – Liquidity Coverage Ratio – Defined as the ratio of High Quality Liquid Assets and net cash outflow for the next 30 days, under a stress scenario. This ratio is a measure of the Bank's ability to meet its liquidity needs for the forthcoming month.



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