

# Bank Mizrahi Tefahot

## Risks Report for the first quarter of 2026

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

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

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

<https://www.mizrahi-tefahot.co.il> > About the Bank > Investor Relations > Financial Information



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## **Risks Report**

This risks report includes additional information to the condensed consolidated financial statements of Bank Mizrahi Tefahot Ltd. and subsidiaries thereof as of March 31, 2026. The condensed financial statements and additional information to the condensed financial statements, including the Report of the Board of Directors and Management, this Risks Report and other supervisory disclosures have been approved for publication by the Bank's Board of Directors at its meeting held on May 18, 2026.

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

In conformity with the Supervisor of Banks' public reporting directives, the quarterly format of the risks report is limited and focused on qualitative and quantitative disclosures whose analysis and presentation on quarterly basis is material for readers of the report.

If needed, this report should be read in conjunction with the 2025 Risks Report.

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

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

[www.mizrahi-tefahot.co.il](http://www.mizrahi-tefahot.co.il) About the Bank >> Investor Relations >> Financial Information

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

**Avraham Zeldman**  
Chairman of the Board of Directors

**Moshe Lari**  
President & CEO

**Ofer Horvitz**  
Vice-president Chief Risks Officer  
(CRO)

Approval date of the financial statements and risks report:  
Lod, May 18, 2026

## Forward-looking information

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

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

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

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

## Key supervisory ratios and overview of risk management and risk assets

### Key supervisory ratios – key data

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

	2026		2025			2025
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Annual
<b>Key supervisory and financial ratios</b>						
<b>Available capital</b>						
Tier I equity <sup>(1)</sup>	35,692	35,239	34,406	33,591	32,629	35,239
Tier I capital before effect of transitional provisions	35,692	35,239	34,406	33,591	32,629	35,239
Total capital	45,691	44,910	44,243	42,749	41,855	44,910
Total capital before effect of transitional provisions	45,691	44,910	44,243	42,749	41,855	44,910
<b>Risk weighted assets</b>						
Total risk weighted assets (RWA)	351,030	344,155	339,205	322,657	314,583	344,155
<b>Capital adequacy ratio (in %)</b>						
Tier I capital ratio <sup>(1)</sup>	10.17	10.24	10.14	10.41	10.37	10.24
Tier I capital ratio before effect of transitional provisions	10.17	10.24	10.14	10.41	10.37	10.24
Total capital ratio	13.02	13.05	13.04	13.25	13.30	13.05
Total capital ratio before effect of transitional provisions	13.02	13.05	13.04	13.25	13.30	13.05
Tier I capital ratio required by Supervisor of Banks <sup>(2)</sup>	9.60	9.60	9.60	9.60	9.60	9.60
Available Tier I capital ratio, beyond what is required by the Supervisor of Banks <sup>(2)</sup>	0.57	0.64	0.54	0.81	0.77	0.64
<b>Leverage ratio<sup>(3)</sup></b>						
Total exposure	605,827	599,134	572,454	556,629	540,851	599,134
Leverage ratio (in %)	5.89	5.88	6.01	6.03	6.03	5.88
Leverage ratio before effect of transitional provisions (in %)	5.89	5.88	6.01	6.03	6.03	5.88
<b>Liquidity coverage ratio<sup>(4)</sup></b>						
Total high quality liquid assets	112,384	95,546	93,839	96,636	92,696	95,546
Total outgoing cash flows, net	76,692	74,005	71,365	71,607	66,543	74,005
Liquidity coverage ratio (in %)	147	129	131	135	139	129
<b>Net stable funding ratio<sup>(5)</sup></b>						
Total available stable funding	346,638	331,061	326,864	321,248	314,616	331,061
Total required stable funding	313,524	296,626	293,031	286,456	278,777	296,626
Net stable funding ratio (in %)	111	112	112	112	113	112
<b>Performance benchmarks</b>						
Net profit return on equity <sup>(6)(7)</sup>	14.1	16.3	17.6	17.8	16.2	17.0
Net profit return on risk assets <sup>(6)(7)</sup>	1.41	1.63	1.78	1.81	1.66	1.72
Deposits from the public to loans to the public, net	109.0	112.0	107.6	110.8	109.6	112.0
<b>Key credit quality benchmarks</b>						
Ratio of balance of provision for credit losses to total loans to the public	0.89	0.95	0.98	1.06	1.11	0.95
Ratio of non-accruing debts or debts in arrears 90 days or longer to loans to the public	1.03	1.02	1.05	1.07	1.12	1.02
Expenses with respect to credit losses to loans to the public, net for the period <sup>(7)</sup>	0.03	0.02	0.04	0.06	0.11	0.06
Of which: With respect to group provision	(0.11)	(0.08)	(0.05)	0.01	(0.03)	(0.04)
Of which: With respect to commercial loans other than residential mortgages	0.20	0.20	0.19	0.16	0.40	0.22
Of which: with respect to residential mortgages	(0.09)	(0.09)	(0.05)	(0.01)	(0.06)	(0.05)
Ratio of net accounting write-offs to average loans to the public <sup>(7)</sup>	0.16	0.09	0.17	0.13	0.15	0.13

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

- (1) The Bank has no capital instruments included in "Additional Tier I capital", so that total Tier I capital equals total Tier I equity.
- (2) Including a capital requirement at 1% of the residential mortgage balance as of the date of the financial statements.
- (3) Leverage Ratio – ratio of Tier I capital (according to Basel rules) to total exposure. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 218.
- (4) Liquidity Coverage Ratio – ratio of total High-Quality Liquid Assets to net cash outflow. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 221, in terms of simple averages of daily observations during the reported quarter.
- (5) Net stable funding ratio – a liquidity ratio stipulated by the Supervisor of Banks, in conformity with recommendations of the Basel Committee, designed to maintain a sustainable financing structure over time, in addition to the liquidity coverage ratio. Calculated based on total net stable funding required for 12 months, derived from all Bank uses, to total net stable funding available for 12 months, calculated for all Bank sources.
- (6) Net profit attributable to shareholders of the Bank.
- (7) Annualized.

## **Bank approach to risk management**

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

This chapter describes the responsibility of management and of the Board of Directors in risk assessment and management processes, designed to disclose to stakeholders relevant, material information for understanding all significant risks to which the Bank is exposed, the Bank's risk tolerance and risk appetite with respect to its major operations, the Bank's risk profile and material developments in the reported period which have material potential to impact risks and risk management at the Bank.

## **General information regarding management of various risks and the risk profile**

The Bank has in place an extensive framework for management and control of the risks to which the Bank is exposed, including an organizational structure supporting management and control of such risks. The Bank operates in conformity with regulatory requirements with regard to risk management and control, and in conformity with the Supervisor of Banks' Proper Conduct of Banking Business Directives, and in particular with Proper bank Management Directive 310 "Risks Management", which is based on the Basel Committee recommendations, which specifies the principles for risks management and control in the Israeli banking system and stipulates the standards required of the banks for creating their risks management and control framework in line with regulatory requirements, the Bank's risk appetite, risk strategy and its business targets. These principles include, inter alia: proper involvement of management and of the Board of Directors in risk management, tools for risk identification and measurement, control and monitoring processes and the measures for risk mitigation. The Bank's policy documents for risk control and management are based on these principles. Risk management at the Bank Group is conducted based on an overview of Bank activity in Israel and at overseas affiliates, in conformity with regulatory requirements and in order to support achievement of the Group's strategic targets, while taking risk judiciously and maintaining a risk level in line with the overall risk appetite specified by the Bank Board of Directors.

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

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

### **Developments in the business and geopolitical environment**

The levels of economic activity in Israel contracted during the first quarter of 2026 due to the effects of Operation Lion's Roar. The increase in levels of uncertainty in Israel and across the world alongside the security restrictions have led to a decline in business activity. The Israeli economy continues to deal with the consequences of the state of war and to operate in an environment of high geopolitical uncertainty. Upon the commencement of Operation Lion's Roar and the declaration of a special situation in the home front, various restrictions were placed on activities. At this stage, levels of tension and uncertainty in the business and economic environment are high; the ceasefire with Iran is temporary, and negotiations are underway in an attempt to reach an agreement. In Israel, following the ceasefire, restrictions were lifted and negotiations are held in an attempt to reach an agreement with the Lebanese government, alongside preparations for an escalation. Following Operation Rising Lion, the Bank of Israel published a support outline for the banks' customers, including postponement of payments of mortgages and loans to groups which meet the criteria.

Israel's risk premium has declined significantly; however, this premium is still slightly higher than its level prior to the war, which started in October 2023. This occurred alongside an increase in domestic share indices and further appreciation of the shekel against the dollar.

In the current quarter, the risk assessments remained unchanged for all risks compared to the end of 2025, and they reflect the uncertainty regarding the geopolitical risks, the potential of security escalation and the uncertainty as to the future economic effects of the war. No material changes were observed in the various risk benchmarks. The credit-quality indicators do not point to a deterioration or the emergence of material risk concentrations. In addition, further interest-rate cuts and a decline in inflation rates are expected to improve borrowers' repayment capacity. The Bank will continue assessing the risk assessments in the forthcoming quarters in accordance with developments and economic conditions.

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

On May 9, 2026 the credit rating agency S&P affirmed Israel's credit rating at A with a stable rating outlook, due to Israel's economic robustness and despite the military conflicts and the uncertainty. On March 27, 2026 the credit rating agency Fitch affirmed Israel's credit rating at A with a negative rating outlook. The agency noted that the outlook reflects a sustained increase in public debt and the risks that stress scenarios will materialize, which might weaken Israel's growth potential. On January 31, 2026, the credit rating Moody's upgraded the rating outlook to stable in view of the decline in security risk.

Rating agency	Credit Rating	Rating outlook	Latest rating update
S&P	A	Stable	During 2024, the rating was downgraded and the rating outlook remained negative. May 9, 2025 - the rating and the rating outlook were not changed due to security and economic risks. November 7, 2025 - affirmation of the rating and upgrading the rating outlook to stable. The agency noted that the ceasefire agreement triggered the subsidence of security tensions in the region which it expects will support the recovery of the Israeli economy. May 9, 2026 - the rating and the rating outlook were not changed due to Israel's economic robustness and despite the military conflicts and the uncertainty.
Moody's	Baa1	Stable	During 2024, the rating was downgraded by three notches and the rating outlook remained negative. July 9, 2025 - the rating and the rating outlook were not changed. October 17, 2025 - the rating and the rating outlook were not changed. January 31, 2026 - upgrading the rating outlook to stable in view of the decline in security risks. The review noted that the geopolitical environment is fragile, and that the ceasefire might not hold, which might result in resumption of military conflicts; however, according to the review the geopolitical conditions have improved such that the risk for a deterioration in Israel's credit profile has declined to a material extent.
Fitch	A	Negative	During 2024, the rating was downgraded and the rating outlook remained negative. March 31, 2025 - the rating and the rating outlook were not changed due to security and economic risks. October 19, 2025 - the rating and the rating outlook were not changed. October 30, 2025 - The rating outlook of the five largest banks was revised to stable and the rating was affirmed at A-.The revision reflects the Bank's stability when faced with challenges since the outbreak of the war, and the reduced risks in the banking system. March 27, 2026 - the rating and the rating outlook remained at A and the rating outlook remained negative.

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

**Systemic scenario – uniform stress test**

In line with customary world-wide practice, the Supervisor of Banks conducts a uniform macro-economic stress scenario for the banking system, designed to test systemic and individual financial stability in a different macro-economic environment and risk concentrations the banking system is exposed to.

In February 2026, the Supervisor of Banks published a uniform system-wide stress scenario for the banking system. The scenario describes a macroeconomic environment under stress due to a global crisis with a sharp slump in prices of non-financial and financial assets, which leads to significant difficulties in financial systems across the world. Consequently, global economic activity has contracted significantly, inflation levels declined and central banks across the world slash interest rates. Domestic activity has been adversely affected, including consumption, investments and exports. The unemployment rate is on the rise, pay is eroded and demand is declining, the housing market is experiencing a significant slowdown, and prices slump in all areas of the real estate sector. The Bank completed the preparation of the scenario, and its results will be reported to the Supervisor of Banks in May 2026. 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 factors

The Bank has specified a framework for risks management and control by the Group, which includes mapping of material risks, and s assignment of Risk Owners for all risks. For each risk factor, the Bank estimates its potential impact on business operations over the coming year, in accordance with a scale comprising five risk levels: Low, Low-medium, Medium, Medium, Medium-High and High.

The risk assessment for each risk and examination of their materiality level is reviewed as part of the ICAAP process (a self-assessment of capital adequacy) in the annual assessment process, the RAS (Risk Assessment System), which is a uniform methodological process adapted to regulatory requirements, in which the overall risk levels, management quality and risk profile for all material risks at the Bank are specified. This is based on risk benchmarks, qualitative parameters and subjective assessments.

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

In the current quarter, the risk assessments remained unchanged and reflect the security and economic uncertainty.

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

## Major and emerging risks

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

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

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

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

On June 4, 2025, the Bank's Board of Directors approved a new strategic plan for 2025-2027 (hereinafter - the "Plan Period"). For further details regarding the strategic plan and the assumptions and data the plan relies upon, which may not materialize or materialize in a different manner and therefore cause the new strategic plan not to materialize or materialize in a different manner ("Forward-looking information protection"), see immediate report of June 5, 2025 (Ref. No.: 2025-01-040290) and immediate report dated March 30, 2026 (Ref. No.: 2026-01-029795).

In view of the effect of the amendment to the Special Payment for the Achievement of Budgetary Targets Law (Temporary Order – Iron Swords), 2024 on the 2026 net profit, the Bank revised the return on equity target in the strategic plan for 2026. For more information regarding the Bank's business goals and strategy for 2025-2027, see chapter "Business goals and strategy" of the 2025 Report of the Board of Directors and Management ("The Bank's 2025-2027 Strategic Plan").

2. **Business and geopolitical environment risk** - reflects exogenous risks arising from the business environment in which the Bank operates and the uncertainty as to the security, economic and geopolitical conditions in Israel. The business and geopolitical environment risk is assessed as medium-high and also includes the risk involving potential effects on anti-banking regulation, and the effects of the macroeconomic risk, regarding which there is uncertainty as to the extent of the impact of the economic and security developments in Israel.

**Macro-economic risk** – The Bank’s activity is affected by the state of the local and global economy; significant changes in monetary policy and in interest rate curves, market volatility and changes in prices of financial assets in Israel and world-wide and in real estate prices may potentially impact the Bank’s activity. In the first quarter of 2026 the Israeli economy continued to recover despite geopolitical effects.

In its interest decision of March 2026, the Bank of Israel held its interest rate at 4.0%. This was following interest rate cuts in November 2025 and January 2026 - of 0.25 percentage points each - to 4.50%. In the first three quarters of the year, the Consumer Price Index (CPI “in lieu”) increased by 0.3%. During the first quarter of 2026 the shekel appreciated by 0.8% against the dollar and by 2.9% against the euro. The shekel’s appreciation trend reduced inflationary pressures in Israel during this period.

According to a publication by the Bank of Israel’s Research Division of March 2026, which was formulated under the assumption that Operation Lion’s Roar and the fighting in Lebanon will end towards the end of April, GDP in Israel is expected to grow by 3.8% in 2026; annual inflation in 2026 is expected to stand at 2.2%, within the target range of the Bank of Israel.

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

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

Further to what is stated in the Explanation and analysis of results and business standing chapter in the Bank’s financial statements as of December 31, 2025 regarding the Competition Commissioner’s intention to declare the five largest banking groups - the Bank (including Bank Yahav), Bank Hapoalim, Bank Leumi, Bank Discount and First International Bank (hereinafter jointly – the “Five Largest Banking Groups” or the “Banks”) - a concentration group and to issue to the Banks directives regarding deposits, on May 6, 2026 the Competition Commissioner (hereinafter - the “Commissioner”) handed down a decision under Section 43(A)(6) to the Economic Competition Law, 1988, in which it was stipulated that the Five Largest Banking Groups constitute a “concentration group” in the retail banking services market.

In its resolution, the Commissioner determined that effectively there is very little competition between the banks with respect to the provision of all retail banking products, and that the banks refrain from competing over the offering of separable products to those customers. In its decision, the Commissioner determined that the five banking groups will be subject to directives pertaining to their deposits activity, as follows:

- Prohibition of discrimination with regard to deposit interest rates and a requirement to be transparent and make their terms and conditions available.
- A requirement that banks will proactively contact customers on the deposit renewal or repayment date, and provide them with information as to proposed interest rates on deposits and similar money market funds, and simplifying the process of their purchase.
- A prohibition on a bank, the value of whose asset exceeds 20% of the total asset value of all banks in Israel (a “bank with large-scale activity”) from unreasonably refusing to enter into an engagement with “money aggregators”.
- A prohibition on placing barriers on the transfer of deposits, and allowing the transferee entity to run the transfer process.

The Commissioner determined that the coming into effect of the directives will be postponed to May 6, 2027 in order to allow the exhaustion of the appeal proceedings in the Competition Tribunal and in order to prepare for the implementation of the directives.

Further to the publication of the Commissioner's decision, on May 6, 2026 the Bank of Israel published its position regarding the Commissioner's above declaration and the deposits-related directives set under this decision. The Bank of Israel's position published as described above stated, among other things, that "under the circumstance of the matter, declaring the banks a concentration group is an extreme and disproportionate step; on the one hand, it may deter investors from operating in Israel, and on the other hand it is not expected to contribute in any way to improving the welfare of bank customers. This is particularly so given that most of the directives prescribed following the declaration have already been implemented in practice by the Banking Supervision Department as part of the structural reforms it has led".

It was further noted in the Bank of Israel's position regarding the Commissioner's declaration and its subsequent directives, that "this move is merely declaratory in nature, which undermines regulatory certainty in the Israeli economy and may therefore deter investors from operating in Israel, without driving competition in any way." The Bank of Israel has also noted that with respect to at least some of the directives, the law requires the consent of the Bank of Israel. Such consent was not granted."

The Bank is studying this stipulation and its implications.

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

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

4. **Information security and cyber defense risk** - a risk arising from deficiencies in protection of the Bank's computer systems and information stored therein. Cyber risk materializes in case of an event including an attack on computer systems by or on behalf of internal or external adversaries of the Bank. The Bank's information security and cyber team operates fully and continuously, improving and bolstering defense capabilities and mechanisms, in conformity with expansion of threats and challenging needs which the Bank is required to face. In view of the war, the Bank significantly raised its alert, vigilance and readiness in order to identify and avert any cyber events. The Bank also acts to prevent fraud, by bolstering its monitoring activity to identify any suspect activity in customer accounts.

During the fourth quarter of 2026, the assessment of information security and cyber risk levels remained unchanged at medium-high. In view of the war with Iran and attacks on Iranian cyberspace, and in particular the damage to the Iranian banking system, a global increase in threat factors has been identified, and primarily, an increase in Iran's motivation to potentially conduct cyberattacks on the Israeli banking-financial system, which have the potential of being successful. The Bank constantly enhances and improves its control and protection function and monitors developments in risk aspects. It should be noted that due to the expansion of the use of AI technologies by attackers the Bank is preparing to cyberattacks which might become more sophisticated.

In April 2026, the Bank of Israel sent to the banks a letter regarding increased risk following the implementation of innovative AI tools. The Bank is studying the risk and makes preparations for this threat.

5. **Compliance and regulatory risk** – Bank business operations are subject to regulation.<sup>1</sup> Compliance risk is the risk of the imposition of sanctions, material financial loss or damage to reputation, which the Bank may incur due to its failure to comply with various compliance provisions.

Compliance provisions also include the following laws: ISA Enforcement Proceeding Streamlining Law (Legislative Amendments), 2011; Securities Law 1968; Mutual Investment Law, 1994; Arrangement of Engagement in Investment Consultancy, Investment Marketing and Management of Portfolios Law, 1995 (hereinafter: "the Advisory Law"); (hereinafter jointly – "securities laws") as well as the Economic Competition Law, 1988. Compliance with these laws is also handled by internal enforcement programs of securities laws and economic competition laws, respectively. Compliance risk also includes Bank compliance with fairness aspects and with the provisions of the Privacy Protection Law, 1981 and regulations promulgated thereunder. As part of the Bank's addressing this issue, the Chief Compliance Officer was appointed as the officer in charge of privacy protection.

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

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

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

On March 25, 2026, the Bank received the Supervisor of Banks' notice regarding the Sanctions Committee for Banking Corporations' decision (hereinafter - the "Committee") to impose a NIS 6.8 million financial sanction on the Bank by virtue of the power vested in it under Section 14(A) to the Prohibition of Money Laundering Law, 2000 (hereinafter - the "Law"), based on the findings of the Banking Supervision Department's audit report on the prohibition of terror financing, conducted during the first half of 2023.

Most of the breaches in respect of which the financial sanction was imposed pertain to checks against the list of entities subject to sanctions, reports to the Anti-Money Laundering Authority (hereinafter - the "Authority") based on transaction-size, reports to the Authority on transactions that appear irregular, and know-your-customer procedures.

The amount of the abovementioned financial sanction reflects, among other things, mitigating circumstances, including the Bank's collaboration with the Bank of Israel's audit team and the effective steps taken by the Bank to rectify the deficiencies. The Bank rectified the deficiencies which were raised in the report; some of the deficiencies were rectified during the audit.

6. **Artificial Intelligence (AI) risks** - the Bank takes action to implement AI solutions in its technological and business domains in order to improve customer services and support a faster and more accurate decision-making processes by employees and managers. The incorporation of AI applications in the banking system constitutes an opportunity to streamline and improve processes; however, it also involves risks, such as: Model risk, information security and cybersecurity risks, etc. Therefore, the Bank ensures a responsible and gradual implementation supported by risk management and monitoring and control processes.
7. **Environmental risk and climate risk** – such risks are part of ESG (Environment, Society and Governance) risks - emerging risks which are characterized with greater changes compared to other risks over time.
  - A. **Environmental risks** are risk deriving from the Bank's potential exposure to loss due to deterioration in the borrower's financial position due to high costs incurred as a result of environmental hazards (such as air and water pollution, soil contamination), regulation concerning environmental protection, or due to the Bank being indirectly liable for an environmental hazard caused by a project funded by the Bank. Environmental risk also includes other, derived risks: reputation risk, third-party liability risk and so forth.
  - B. **Climate risks** are due to increased frequency and intensity of weather events due to climate change. The Bank faces risk of financial loss or impact to its reputation, due to materialization of physical events, processes or adjustment to transition risk due to climate change.

In recent years, there has been growing awareness in Israel and world-wide of the existence and extent of financial risk due to potential impact of events and processes related to climate change. The Bank is completing its preparations for the application of Proper Conduct of Banking Business Directive 345 "Principles for the Effective Management of Climate-Related Financial Risks", published by the Supervisor of Banks in June 2023, which will come into effect in June 2026.

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

## Overview of weighted risk assets

	Risk weighted assets		Minimum capital requirements <sup>(1)</sup>
	As of March 31, 2026	As of December 31, 2025	As of March 31, 2026
Credit risk (standard approach) <sup>(2)</sup>	315,897	306,470	39,487
Counter-party credit risk (standard approach)	5,098	3,887	637
Credit risk value adjustment (CVA) <sup>(3)</sup>	1,740	1,536	218
Settlement risk	367	383	46
Amounts lower than discount threshold (subject to 250% risk weighting)	5,432	5,566	679
<b>Total credit risk</b>	<b>328,534</b>	<b>317,841</b>	<b>41,067</b>
Market risk (standard approach)	2,377	2,126	297
Operational Risk <sup>(4)</sup>	20,119	24,188	2,515
<b>Total</b>	<b>351,030</b>	<b>344,155</b>	<b>43,879</b>

- (1) Capital requirement in conformity with required overall minimum capital ratio of 12.5%.
- (2) Credit risk excludes counter-party credit risk, credit risk value adjustment, settlement risk, securitization exposures and amounts lower than the deduction thresholds.
- (3) Credit Value Adjustments – mark to market with respect to credit risk of counter-party, in conformity with Basel III provisions.
- (4) As from January 1, 2026 the Bank applies the new directives to the calculation of capital requirements in respect of operational risk. For more information see Note 9 to the financial statements.

The change in risk-weighted assets in the first quarter of 2026 was primarily due to growth in business credit and residential mortgages.

## Capital and leverage

### Composition of supervisory capital

	As of		As of
	March 31	December 31	2025
	2026	2025	2025
	NIS in millions		
<b>Tier I equity: Instruments and retained earnings</b>			
1 Ordinary share capital issued by the banking corporation and ordinary share premium for shares included in Tier I equity	3,785	3,727	3,784
2 Retained earnings, including dividends proposed or announced after the balance sheet date	31,442	28,550	30,906
3 Cumulative other comprehensive income and retained earnings disclosed	19	(184)	75
5 Ordinary shares issued by consolidated subsidiaries of the banking corporation, which are held by a third party (non-controlling interests)	618	599	646
<b>6 Tier I equity before regulatory adjustments and deductions</b>	<b>35,864</b>	<b>32,692</b>	<b>35,411</b>
<b>Tier I equity: Supervisory adjustments and deductions</b>			
8 Goodwill, net of any deferred tax liabilities	87	87	87
9 Other intangible assets, excluding mortgage service rights, net of deferred tax liabilities	-	15	-
11 Accumulated other comprehensive income with respect to cash flows hedging of items not listed at fair value on the balance sheet	(1)	5	-
14 Un-realized gains and losses from changes to fair value of liabilities arising from changes to the banking corporation's own credit risk. Furthermore, with regard to liabilities with respect to derivative instruments, all accounting value adjustments (DVA) arising from the bank's own credit risk should be deducted	2	7	8
26 Supervisory adjustments and other deductions stipulated by the Supervisor of Banks	84	(51)	77
<b>28 Total supervisory adjustments and Tier I deductions</b>	<b>172</b>	<b>63</b>	<b>172</b>
<b>29 Tier I shareholders' equity</b>	<b>35,692</b>	<b>32,629</b>	<b>35,239</b>
<b>Additional Tier I capital: Instruments</b>			
44 Additional Tier I capital	-	-	-
<b>45 Tier I capital</b>	<b>35,692</b>	<b>32,629</b>	<b>35,239</b>
<b>Tier II capital: Instruments and provisions</b>			
46 Instruments issued by the banking corporation (not included in Tier I capital) and premium for such instruments	2,374	2,231	1,914
48 Tier II capital instruments issued by subsidiaries of the banking corporation to third-party investors	4,132	3,389	4,137
49 Of which: Tier II capital instruments issued by subsidiaries of the banking corporation and held by third-party investors, gradually deducted from Tier II capital	-	-	-
50 Group provisions for credit losses by effect of related tax	3,493	3,606	3,620
<b>51 Tier II capital before deductions</b>	<b>9,999</b>	<b>9,226</b>	<b>9,671</b>
<b>Tier II capital: Deductions</b>			
<b>57 Total deductions from Tier II capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>58 Tier II capital</b>	<b>9,999</b>	<b>9,226</b>	<b>9,671</b>
<b>59 Total capital</b>	<b>45,691</b>	<b>41,855</b>	<b>44,910</b>
<b>60 Total risk weighted assets</b>	<b>351,030</b>	<b>314,583</b>	<b>344,155</b>
<b>Capital ratios and capital preservation cushions</b>			
61 Tier I shareholders' equity	10.17%	10.37%	10.24%
62 Tier I capital	10.17%	10.37%	10.24%
63 Total capital	13.02%	13.30%	13.05%
<b>Minimum requirements stipulated by the Supervisor of Banks</b>			
69 Minimum Tier I equity ratio required by Supervisor of Banks	9.60%	9.60%	9.60%
70 Minimum Tier I equity ratio required by Supervisor of Banks	9.60%	9.60%	9.60%
71 Minimum capital ratio required by the Supervisor of Banks	12.50%	12.50%	12.50%
<b>Amounts lower than the deduction threshold (before risk weighting)</b>			
72 Investments in capital of financial corporations (other than banking corporations and subsidiaries thereof), up to 10% of ordinary share capital issued by the financial corporation, which is below the amortization threshold	50	60	56

## Risks Report

As of March 31, 2026

	As of		As of
	March 31 2026	2025	December 31 2025
NIS in millions			
73 Investments in Tier I equity of financial corporations (other than banking corporations and subsidiaries thereof), over 10% of ordinary share capital issued by the financial corporation, which is below the amortization threshold	4	3	4
75 Deferred tax assets created due to temporary differences, which is below the amortization threshold	2,169	2,367	2,223
<b>Cap for inclusion of provisions in Tier II</b>			
76 Provision qualifying for inclusion in Tier II with regard to exposures under the standard approach, before application of the cap	3,493	3,706	3,620
77 Cap for inclusion of provision in Tier II with regard to exposures under the standard approach	4,102	3,605	3,973

### Supervisory requirement

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

Tier I capital includes equity attributable to equity holders of the Bank and the interest of external shareholders in equity of subsidiaries (excess capital at subsidiaries is not taken into account).

Tier I capital includes supervisory adjustments and deductions from capital – goodwill, investments in capital components of financial institutions, cumulative other comprehensive income with regard to cash flow hedges for items not presented at fair value on the balance sheet adjustments with respect to liabilities for derivative instruments, due to change in the Bank's credit risk (DVA) and other supervisory adjustments and deductions.

Additional Tier I capital consists of equity instruments which fulfill the requirements specified in the directives. As of March 31, 2026, the Bank had no capital instruments included in additional Tier I capital.

Tier II capital consists of a group provision for credit losses and equity instruments which fulfill the specified requirements.

Restrictions on capital structure:

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

### Bank approach to capital adequacy assessment

The risks management and control framework at the Bank, as recommended by the Basel Committee, specifies three pillars for capital adequacy assessment:

Pillar 1 – minimum capital – minimum capital allocation requirements with respect to credit risk, market risk and operational risk calculated by standard models.

Pillar 2 – Supervision and control process over capital adequacy, the Internal Capital Adequacy Assessment Process (ICAAP) conducted by the Bank, as well as the Supervisory Review and Evaluation Process (SREP).

Pillar 3 – ("market discipline") – reporting and disclosure requirements to supervisory entity and to the public.

### Minimum capital ratio requirement

Capital ratios are calculated as the ratio of capital to weighted risk assets. Tier I equity ratio is calculated as the ratio of Tier I equity to weighted risk assets, and the total capital ratio is calculated as the ratio of total capital to weighted risk assets.

As per instructions of the Supervisor of Banks, the Bank is required to maintain a minimum Tier I equity ratio of no less than 9% and a minimum total equity ratio of no less than 12.5%. An additional capital requirement was added to the Tier I equity ratio at 1% of the residential mortgage balance as of the dates of financial statements, except for residential mortgages, which are subject to relief provided in the interim directive for addressing the Corona Virus crisis.

Consequently, the Bank's current required minimum ratio of Tier I equity ratio and minimum total capital ratio as of the report date are 9.60% and 12.50%, respectively (to which appropriate safety margins will be added).

## Leverage ratio

The Bank applies the rules set in Proper Conduct of Banking Business Directive 218 with regard to leverage ratio, which adopts the Basel Committee's recommendations on leverage ratio.

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

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

In the Supervisor of Banks' circular dated December 20, 2023, the effect of this relief was extended through December 31, 2025. A banking corporation applying this relief 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.

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

The Bank's leverage ratio as of March 31, 2026 is 5.89%, compared to 5.88% as of December 31, 2025.

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

<b>Comparison of assets on balance sheet and exposure measurement for leverage ratio</b>	<b>As of March 31, 2026</b>	<b>As of March 31, 2025</b>	<b>As of December 31, 2025</b>
Total assets according to consolidated financial statements	554,365	498,029	551,173
Adjustments with respect to financial derivatives	5,995	3,335	3,194
Adjustments with respect to off-balance sheet items <sup>(1)</sup>	48,467	40,348	46,948
Other adjustments	(3,000)	(861)	(2,181)
<b>Exposure for leverage ratio</b>	<b>605,827</b>	<b>540,851</b>	<b>599,134</b>

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

**Disclosure with regard to leverage ratio (NIS in millions)**

	As of March 31, 2026	As of March 31, 2025	As of December 31, 2025
<b>Composition of exposures and leverage ratio (NIS in millions)</b>			
<b>On-balance sheet exposures</b>			
Assets on balance sheet	533,765	485,445	532,590
Amounts with respect to assets deducted to determine Tier I capital	(87)	(102)	(87)
<b>Total on-balance sheet exposures</b>	<b>533,678</b>	<b>485,343</b>	<b>532,503</b>
<b>Exposures with respect to derivatives</b>			
Subrogation cost for all transactions with respect to derivatives	3,311	2,869	1,958
Additional amounts with respect to future potential exposure for all transactions with respect to derivatives	8,998	6,021	7,364
Gross-up of collateral provided with respect to derivatives, deducted from assets on the balance sheet in conformity with Public Reporting directives	-	-	-
Deductions of receivable assets with respect to variable cash collateral provided in derivatives transactions	-	-	-
Exempt central counter-party leg of commercial exposures disposed by the customer	-	-	-
Adjusted effective par amount of credit derivatives written	-	-	-
Adjusted effective par offsets and deduction of additions with respect to credit derivatives written	-	-	-
<b>Total exposure with respect to derivatives</b>	<b>12,309</b>	<b>8,890</b>	<b>9,322</b>
<b>Exposure with respect to securities financing transactions</b>			
Gross assets with respect to securities financing transactions (without offsets), after adjustment for transactions accounted for as an accounting sale	11,373	6,270	10,361
Offset amounts of cash payable and cash receivable from gross assets with respect to securities financing transactions	-	-	-
Credit risk exposure for central counter-party with respect to securities financing assets	-	-	-
Exposures with respect to transactions as agent	-	-	-
<b>Total exposure with respect to securities financing transactions</b>	<b>11,373</b>	<b>6,270</b>	<b>10,361</b>
<b>Other off-balance sheet exposures</b>			
Off-balance sheet exposure in par value, gross	162,594	137,202	156,694
Adjustments with respect to conversion to credit equivalent amounts	(114,127)	(96,854)	(109,746)
Off-balance sheet items	48,467	40,348	46,948
<b>Capital and total exposure</b>			
Tier I capital	35,692	32,629	35,239
<b>Total exposure</b>	<b>605,827</b>	<b>540,851</b>	<b>599,134</b>
<b>Leverage ratio</b>			
Leverage ratio in conformity with Proper Conduct of Banking Business Directive 218	5.89%	6.03%	5.88%
Minimum leverage ratio required by the Supervisor of Banks	4.50%	4.50%	4.50%

## Credit risk

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

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

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

Credit is at the core of banking activity, and therefore this is a significant risk in the activity of the banking system.

### Risk assessment developments:

In the first quarter of 2026, the positive trend in economic activity in Israel continued and economic activity was uninterrupted without any indication to increased risk levels compared to previous quarters. This stability was maintained until the outbreak of Operation Lion's Roar at the beginning of March 2026 and the security restrictions placed due to the operation, which led to a decline in business activity. At this stage, a temporary ceasefire is in place with Iran and negotiations are underway in an attempt to reach an agreement. In Israel, fighting was paused and routine activity resumed alongside preparations for renewed escalation. It is noted that at that time the credit portfolio was not affected to a material extent. At this stage, the overall impact of the credit risk remains medium and reflects the uncertainty in connection with the stability of the security situation, and the potential effect of the economic conditions on the business sector.

#### A. Overall effect of credit risks

In the first quarter of 2026, the overall level of credit risk remained medium. Despite the outbreak of Operation Lion's Roar and the geopolitical uncertainty, the credit quality and interest and inflation environment metrics remained stable.

The Bank closely monitors the potential effects and constantly reviews the risk measures and risk levels, adapting them as required to current business activity, subject to and in line with the risk appetite, and monitors resumption of payments by all customers who postponed payments, and takes steps to improve borrower repayment capacity and to reduce the risk level.

As of March 31, 2026, deferred payments for business segment customers amounted to NIS 151 million, out of the total loan balance that has undergone changes to terms amounting to NIS 643 million.

As of March 31, 2026, deferred payments for the individual customers segment amounted to NIS 6 million, out of the total loan balance that has undergone changes to terms amounting to NIS 253 million.

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.

#### 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-end financing). Most of the credit risk in the construction and real estate sector is backed by real estate fully pledged to secure loan repayment, and for credit not secured by real estate collateral, there is other collateral in place, such as: deposits, securities etc. The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank is approx. 18.3%. Improvement and stabilization of the security situation and greater clarity regarding economic conditions may cause buyers to return to the market and increase the pace of sales, which slowed-down lately. The Bank monitors 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 such as non-linear purchase contracts and transaction cancellations; so far, no risk materialization has been identified in those risk concentrations.

For more information see Note 1 to the financial statements.

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

### C. Credit risk in the residential mortgage portfolio

The risk level in the mortgages portfolio remains unchanged, at a low-medium level, due to the high uncertainty regarding the geopolitical risks. The risk benchmarks in the first quarter of 2026 did not indicate a material change in risk level, and therefore the risk assessment remained unchanged. The Bank continues to monitor the developments and their impact of economic growth and activity. The vast majority of the customers who previously deferred payments under Operation Rising Lion resumed normal payments, and the Bank deals in an orderly manner with customers who still defer payments.

As of March 31, 2026, deferred payments for residential mortgage segment customers amounted to NIS 29 million, out of a total loan balance that has undergone changes to the terms and conditions amounting to NIS 4.5 billion, compared to deferred payments for residential mortgage segment customers as of December 31, 2025, which stood at NIS 11 million out of a loan balance that has undergone changes to terms and conditions amounting to NIS 238 million.

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

## Credit quality of credit exposures

	<b>March 31, 2026</b>			
	<b>Gross balances<sup>(1)</sup></b>			
	<b>Non-accruing or in arrears 90 days or longer</b>	<b>Others</b>	<b>Provisions for credit losses</b>	<b>Net balance</b>
Debts, except for bonds	4,289	472,298	3,721	472,866
Bonds	-	25,869	-	25,869
Off-balance sheet exposures <sup>(2)</sup>	20	162,739	257	162,502
<b>Total</b>	<b>4,309</b>	<b>660,906</b>	<b>3,978</b>	<b>661,237</b>

  

	<b>March 31, 2025</b>			
	<b>Gross balances<sup>(1)</sup></b>			
	<b>Non-accruing or in arrears 90 days or longer</b>	<b>Others</b>	<b>Provisions for credit losses</b>	<b>Net balance</b>
Debts, except for bonds	4,116	442,354	4,079	442,391
Bonds	-	19,903	-	19,903
Off-balance sheet exposures <sup>(2)</sup>	60	137,402	251	137,211
<b>Total</b>	<b>4,176</b>	<b>599,659</b>	<b>4,330</b>	<b>599,505</b>

  

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

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

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

**Credit risk mitigation methods (CR3)**

As of March 31, 2026									
	Non-secured			Secured					
	Total on-balance sheet balance <sup>(1)</sup>	Total on-balance sheet balance <sup>(1)</sup>	Of which: Secured amount <sup>(2)</sup>	Of which: By collateral		Of which: By financial guarantees		Of which: By credit derivatives	
Balance sheet balance				Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance
Debts, except for bonds	414,641	58,225	20,514	30,035	8,473	28,190	12,041	-	-
Bonds	25,869	-	-	-	-	-	-	-	-
<b>Total</b>	<b>440,510</b>	<b>58,225</b>	<b>20,514</b>	<b>30,035</b>	<b>8,473</b>	<b>28,190</b>	<b>12,041</b>	-	-
Of which: Non-accruing or in arrears 90 days or longer	3,666	623	251	220	28	403	223	-	-

As of March 31, 2025									
	Non-secured			Secured					
	Total on-balance sheet balance <sup>(1)</sup>	Total on-balance sheet balance <sup>(1)</sup>	Of which: Secured amount <sup>(2)</sup>	Of which: By collateral		Of which: By financial guarantees		Of which: By credit derivatives	
Balance sheet balance				Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance
Debts, except for bonds	388,660	53,731	17,449	28,370	7,427	25,361	10,022	-	-
Bonds	19,903	-	-	-	-	-	-	-	-
<b>Total</b>	<b>408,563</b>	<b>53,731</b>	<b>17,449</b>	<b>28,370</b>	<b>7,427</b>	<b>25,361</b>	<b>10,022</b>	-	-
Of which: Non-accruing or in arrears 90 days or longer	3,450	666	79	323	41	343	39	-	-

As of December 31, 2025									
	Non-secured			Secured					
	Total on-balance sheet balance <sup>(1)</sup>	Total on-balance sheet balance <sup>(1)</sup>	Of which: Secured amount <sup>(2)</sup>	Of which: By collateral		Of which: By financial guarantees		Of which: By credit derivatives	
Balance sheet balance				Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance
Debts, except for bonds	412,039	57,102	20,626	29,039	7,970	28,062	12,655	-	-
Bonds	28,340	-	-	-	-	-	-	-	-
<b>Total</b>	<b>440,379</b>	<b>57,102</b>	<b>20,626</b>	<b>29,039</b>	<b>7,970</b>	<b>28,062</b>	<b>12,655</b>	-	-
Of which: Non-accruing or in arrears 90 days or longer	3,626	482	57	233	31	249	25	-	-

## Credit risk using the standard approach

### Standard approach – exposures by asset type and risk weighting (CR5)<sup>(1)(2)</sup>

Asset types / risk weighting	0%	20%	35%	50%	60%	75%	100%	150%	Other	Total credit exposures (after conversion factors and collateral deduction)
										As of March 31, 2026
Sovereigns, central banks thereof and national monetary authority	86,555	7,237	-	-	-	-	76	-	-	93,868
Public sector entities (PSE) other than central Government	240	-	-	2,018	-	-	2	-	-	2,260
Banks (including multilateral development banks)	1	1,035	-	5,027	-	-	14	-	-	6,077
Securities companies	-	-	-	2,581	-	-	-	-	-	2,581
Corporations	280	10,674	-	7,236	-	-	119,235	34	84	137,543
Retail exposures to individuals	-	-	-	-	-	29,876	30	-	-	29,906
Loans to small businesses	-	-	-	-	-	14,137	7	-	-	14,144
Secured by residential property	-	-	65,721	59,550	83,756	25,293	10,243	-	-	244,563
Secured by commercial property	-	-	-	-	-	-	7,923	-	-	7,923
Loans in arrears	-	-	-	-	-	-	1,220	2,502	-	3,722
Other assets	2,379	-	-	-	-	-	5,428	455	-	8,262
Of which: with respect to shares	-	-	-	-	-	-	721	74	-	795
<b>Total</b>	<b>89,455</b>	<b>18,946</b>	<b>65,721</b>	<b>76,412</b>	<b>83,756</b>	<b>69,306</b>	<b>144,178</b>	<b>2,991</b>	<b>84</b>	<b>550,849</b>
										<b>As of March 31, 2025</b>
Sovereigns, central banks thereof and national monetary authority	94,026	7,464	-	-	-	-	145	-	-	101,635
Public sector entities (PSE) other than central Government	214	-	-	1,445	-	-	1	-	-	1,660
Banks (including multilateral development banks)	-	2,385	-	2,792	-	-	50	-	-	5,227
Securities companies	-	-	-	1,988	-	-	-	-	-	1,988
Corporations	264	10,225	-	6,285	-	-	96,885	819	125	114,603
Retail exposures to individuals	-	-	-	-	-	28,437	-	-	-	28,437
Loans to small businesses	-	-	-	-	-	13,552	-	-	-	13,552
Secured by residential property	-	-	63,445	53,201	70,967	26,493	9,482	-	-	223,588
Secured by commercial property	-	-	-	-	-	-	6,271	-	-	6,271
Loans in arrears	-	-	-	-	-	-	1,039	2,241	-	3,280
Other assets	2,093	-	-	-	-	-	4,611	479	-	7,183
Of which: with respect to shares	-	-	-	-	-	-	826	65	-	891
<b>Total</b>	<b>96,597</b>	<b>20,074</b>	<b>63,445</b>	<b>65,711</b>	<b>70,967</b>	<b>68,482</b>	<b>118,484</b>	<b>3,539</b>	<b>125</b>	<b>507,424</b>
										<b>As of December 31, 2025</b>
Sovereigns, central banks thereof and national monetary authority	97,345	7,548	-	-	-	-	85	137	-	105,115
Public sector entities (PSE) other than central Government	256	-	-	1,937	-	-	1	-	-	2,194
Banks (including multilateral development banks)	1	522	-	5,133	-	-	11	-	-	5,667
Securities companies	-	-	-	2,881	-	-	-	-	-	2,881
Corporations	229	10,568	-	7,207	-	-	112,357	546	100	131,007
Retail exposures to individuals	-	-	-	-	-	29,680	30	-	-	29,710
Loans to small businesses	-	-	-	-	-	13,945	7	-	-	13,952
Secured by residential property	-	-	68,176	58,104	78,775	25,514	9,745	-	-	240,314
Secured by commercial property	-	-	-	-	-	-	7,690	-	-	7,690
Loans in arrears	-	-	-	-	-	-	1,269	2,681	-	3,950
Other assets	3,074	-	-	-	-	-	5,097	442	-	8,613
Of which: with respect to shares	-	-	-	-	-	-	781	74	-	855
<b>Total</b>	<b>100,905</b>	<b>18,638</b>	<b>68,176</b>	<b>75,262</b>	<b>78,775</b>	<b>69,139</b>	<b>136,292</b>	<b>3,806</b>	<b>100</b>	<b>551,093</b>

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

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

## Counter-party credit risk

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

	As of March 31, 2026				
	Subrogation cost	Future potential exposure	Alpha used to calculate regulatory EAD	Exposure after deduction of collateral	Risk assets
Standard approach for counter-party risk (SA-CCR) (for derivatives)	1,719	6,120	1.4	10,975	4,755
Comprehensive approach to credit risk mitigation (for securities financing transactions)				361	343
<b>Total</b>	<b>1,719</b>	<b>6,120</b>		<b>11,336</b>	<b>5,098</b>

	As of March 31, 2025				
	Subrogation cost	Future potential exposure	Alpha used to calculate regulatory EAD	Exposure after deduction of collateral	Risk assets
Standard approach for counter-party risk (SA-CCR) (for derivatives)	1,634	4,218	1.4	8,193	3,842
Comprehensive approach to credit risk mitigation (for securities financing transactions)				310	220
<b>Total</b>	<b>1,634</b>	<b>4,218</b>		<b>8,503</b>	<b>4,062</b>

	As of December 31, 2025				
	Subrogation cost	Future potential exposure	Alpha used to calculate regulatory EAD	Exposure after deduction of collateral	Risk assets
Standard approach for counter-party risk (SA-CCR) (for derivatives)	841	5,121	1.4	8,347	3,454
Comprehensive approach to credit risk mitigation (for securities financing transactions)				448	432
<b>Total</b>	<b>841</b>	<b>5,121</b>		<b>8,795</b>	<b>3,887</b>

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

	As of March 31, 2026		As of March 31, 2025		As of December 31, 2025	
	Exposure after deduction of collateral	Risk assets	Exposure after deduction of collateral	Risk assets	Exposure after deduction of collateral	Risk assets
Total – portfolios for which CVA is calculated using the standard approach	10,975	1,740	8,193	1,342	8,347	1,536

## Risks Report

As of March 31, 2026

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

Supervisory portfolio / risk weighting	As of March 31, 2026				Total credit exposure
	0%	20%	50%	100%	
Sovereigns	-	15	-	-	15
Public sector entities (PSE) other than central Government	-	-	6	-	6
Banks (including multilateral development banks)	-	3,979	169	-	4,148
Securities companies	-	-	5,893	-	5,893
Corporations	-	-	36	861	897
Supervisory retail portfolios	-	-	-	17	17
Other assets	-	-	-	-	-
<b>Total</b>	-	3,994	6,103	878	10,975

Supervisory portfolio / risk weighting	As of March 31, 2025				Total credit exposure
	0%	20%	50%	100%	
Sovereigns	-	14	-	-	14
Public sector entities (PSE) other than central Government	-	-	22	-	22
Banks (including multilateral development banks)	-	2,217	102	-	2,319
Securities companies	-	-	4,986	-	4,986
Corporations	-	-	49	786	836
Supervisory retail portfolios	-	-	-	16	16
Other assets	-	-	-	-	-
<b>Total</b>	-	2,231	5,160	802	8,193

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

**Risks Report**  
As of March 31, 2026

**Composition of collateral with respect to exposure to counter-party credit risk<sup>1</sup> (CCR) (5CCR) (NIS in millions)**

	As of March 31, 2026					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited		Fair value of collateral received	Fair value of collateral deposited
	Disconnected	Not disconnected	Disconnected	Not disconnected		
Cash – local currency	-	1,561	-	123	10,597	-
Cash – other currency	-	1,263	-	1,928	5	-
Domestic sovereign debt	-	913	-	-	7	-
Other sovereign debt	-	39	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	28	-	-	99	-
Shares	-	163	-	-	5,997	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	3,967	-	2,051	16,704	-

  

	As of March 31, 2025					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited		Fair value of collateral received	Fair value of collateral deposited
	Disconnected	Not disconnected	Disconnected	Not disconnected		
Cash – local currency	-	1,143	-	310	5,652	-
Cash – other currency	-	1,049	-	771	2	-
Domestic sovereign debt	-	337	-	-	6	-
Other sovereign debt	-	5	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	14	-	-	19	-
Shares	-	693	-	-	4,368	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	3,241	-	1,081	10,047	-

  

	As of December 31, 2025					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited		Fair value of collateral received	Fair value of collateral deposited
	Disconnected	Not disconnected	Disconnected	Not disconnected		
Cash – local currency	-	1,748	-	249	8,945	-
Cash – other currency	-	1,644	-	2,528	4	-
Domestic sovereign debt	-	573	-	-	5	-
Other sovereign debt	-	23	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	20	-	-	64	-
Shares	-	349	-	-	5,442	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	4,357	-	2,777	14,460	-

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

## Market risk

Market risk – This is the risk of loss from on- and off-balance sheet positions, arising from change in fair value of financial instruments, due to change in market risk factors (interest rates, exchange rates, inflation, prices of equities and commodities). The Bank has is not exposed to commodities and its exposure to equities is immaterial; thus, the Bank's major exposure to market risk is due to basis risk – the risk arising due to Bank assets and liabilities being denominated in different currencies or linked to different linkage bases – and to interest risk.

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

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

As of March 31, 2026, no deviations from the risk appetite limits were recorded.

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

## Market risk using the standard approach

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

	Risk assets as of:		
	March 31, 2026	March 31, 2025	December 31, 2025
<b>Direct products</b>			
Interest rate risk (general and specific)	2,171	1,878	1,945
Position risk in shares (general and specific)	58	47	59
Foreign currency risk	103	320	101
Commodities risk	-	-	-
Options	-	-	-
Delta Plus approach	45	33	21
Securitization	-	-	-
<b>Total</b>	<b>2,377</b>	<b>2,278</b>	<b>2,126</b>

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

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

The following is the net adjusted fair value<sup>(1)</sup> of the financial instruments of the Bank and subsidiaries thereof (in millions of NIS):

	<b>As of March 31, 2026</b>				
	<b>Foreign currency</b>				
	<b>NIS – Non-linked</b>	<b>NIS – CPI-linked</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
Financial assets <sup>(2)</sup>	395,181	90,757	41,799	11,254	538,991
Other amounts receivable with respect to financial derivatives, complex and off-balance sheet financial instruments	292,597	3,383	321,811	30,180	647,971
Financial liabilities <sup>(2)</sup>	(361,064)	(65,653)	(70,854)	(10,134)	(507,705)
Other amounts payable with respect to financial derivatives, complex and off-balance sheet financial instruments	(320,361)	(2,988)	(292,769)	(31,554)	(647,672)
<b>Net fair value of financial instruments</b>	<b>6,353</b>	<b>25,499</b>	<b>(13)</b>	<b>(254)</b>	<b>31,585</b>
Effect of liabilities with respect to employee rights	(679)	(1,181)	(4)	-	(1,864)
Effect of attribution to terms of non-maturity deposits	4,930	-	327	132	5,389
<b>Adjusted net fair value</b>	<b>10,604</b>	<b>24,318</b>	<b>310</b>	<b>(122)</b>	<b>35,110</b>
Of which: Banking portfolio	(1,099)	13,636	283	2,080	14,900
Of which: Effect of early repayment of residential mortgages	513	(1,175)	(2)	(23)	(687)
Of which: Effect of attribution of deposits to terms after the next withdrawal date	(266)	19	-	-	(247)

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

See footnotes in the next page.

## Risks Report

As of March 31, 2026

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

	As of March 31, 2026					As of December 31, 2025				
	NIS –		Foreign currency			NIS –		Foreign currency		
	Non-linked	CPI-linked	USD	Other	Total	Non-linked	CPI-linked	USD	Other	Total
<b>Concurrent 1% changes</b>										
Concurrent 1% increase	(1,092)	(565)	(39)	(7)	(1,703)	(1,309)	(480)	74	(22)	(1,737)
Of which: Banking portfolio	(1,076)	(551)	21	(6)	(1,612)	(1,311)	(471)	89	(22)	(1,715)
Effect of attribution to terms of non-maturity deposits	1,085	-	127	51	1,263	1,001	-	141	52	1,194
Of which: Effect of early repayment of residential mortgages	2,264	1,078	-	3	3,345	2,122	1,008	-	3	3,133
Of which: Effect of attribution of deposits to terms after the next withdrawal date	(115)	(98)	-	-	(213)	(96)	(109)	-	-	(205)
Concurrent 1% decrease	628	401	(37)	12	1,004	981	356	(62)	30	1,305
Of which: Banking portfolio	608	399	(16)	12	1,003	977	345	(79)	29	1,272
Effect of attribution to terms of non-maturity deposits	(1,154)	-	(135)	(54)	(1,343)	(1,064)	-	(150)	(56)	(1,270)
Of which: Effect of early repayment of residential mortgages	(2,796)	(1,317)	-	(3)	(4,116)	(2,624)	(1,232)	-	(4)	(3,860)
Of which: Effect of attribution of deposits to terms after the next withdrawal date	121	106	-	-	227	100	119	-	-	219
<b>Additional interest-rate scenarios in accordance with Proper Conduct of Banking Business Directives<sup>(3)</sup></b>										
Concurrent increase	(2,223)	(1,004)	(56)	9	(3,274)	(2,808)	(842)	165	(41)	(3,526)
Of which: Banking portfolio	(2,198)	(998)	53	14	(3,129)	(2,826)	(831)	190	(41)	(3,508)
Concurrent decrease	2,213	1,029	89	(8)	3,323	2,963	1,038	(101)	70	3,970
Of which: Banking portfolio	2,159	1,023	(19)	(9)	3,154	2,947	1,027	(138)	68	3,904
Steepening <sup>(4)</sup>	(1,459)	(95)	(282)	(12)	(1,848)	(1,627)	(188)	(338)	(13)	(2,166)
Of which: Banking portfolio	(1,427)	(88)	(286)	(15)	(1,816)	(1,569)	(188)	(325)	(13)	(2,095)
Flattening <sup>(5)</sup>	674	(193)	279	10	770	847	(30)	321	10	1,148
Of which: Banking portfolio	647	(197)	292	15	757	793	(29)	312	10	1,086
Short-term interest increase	(381)	(306)	172	9	(506)	(328)	(183)	178	5	(328)
Of which: Banking portfolio	(383)	(302)	200	13	(472)	(359)	(177)	181	4	(351)
Short-term interest decrease	330	297	(182)	(9)	436	286	285	(182)	(4)	385
Of which: Banking portfolio	330	293	(211)	(14)	398	317	280	(186)	(4)	407
Maximum	(2,223)	(1,004)	(282)	(12)	(3,274)	2,963	1,038	(338)	70	3,970
Of which: Banking portfolio	(2,198)	(998)	(286)	(15)	(3,129)	2,947	1,027	(325)	68	3,904

- (1) Net fair value of financial instruments, except for non-monetary items, after effect of liability with respect to employee rights and attribution of non-maturity deposits to terms.
- (2) Excludes balance sheet balances of financial derivatives, fair value of off-balance sheet financial instruments and fair value of complex financial instruments.
- (3) Interest scenarios were set in accordance with Proper Conduct of Banking Business Directive No. 333, "Management of Interest Rate Risk".
- (4) Short-term interest decrease and long-term interest increase.
- (5) Short-term interest increase and long-term interest decrease.

The difference between exposure of the bank portfolio to changes in interest according to net adjusted fair value and sensitivity of economic value (EVE) presented above arises from timing differences only.

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

See Note 16 to the financial statements for additional information.

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

## Risks Report

As of March 31, 2026

Set forth below is the impact of scenarios of changes in the interest rate on net interest revenues and non-interest financing revenues<sup>(1)(4)</sup> (in millions of NIS):

	As of March 31, 2026			As of December 31, 2025		
	Interest revenues	Non- interest financing revenues <sup>(3)</sup>	Total	Interest revenues	Non- interest financing revenues <sup>(3)</sup>	Total
<b>Concurrent 1% changes<sup>(2)</sup></b>						
Concurrent 1% increase	22	312	334	(57)	263	206
Of which: Banking portfolio	13	331	344	(64)	284	220
Concurrent 1% decrease	(273)	(264)	(537)	(238)	(176)	(414)
Of which: Banking portfolio	(264)	(182)	(446)	(231)	(114)	(345)
<b>Additional interest-rate scenarios in accordance with Proper Conduct of Banking Business Directives<sup>(5)</sup></b>						
Concurrent increase	1	763	764	(360)	565	205
Of which: Banking portfolio	(22)	787	765	(378)	598	220
Concurrent decrease	(749)	(589)	(1,339)	(568)	(286)	(854)
Of which: Banking portfolio	(727)	(523)	(1,250)	(550)	(271)	(821)
Maximum	(749)	763	(1,339)	(568)	565	(854)
Of which: Banking portfolio	(727)	787	(1,250)	(550)	598	(821)

(1) For a one-year term.

(2) Changes to risk-free interest.

(3) Includes the effect of fair value, gain (loss) from transactions in bonds and the effect of interest accrual for transactions in derivatives.

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

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

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

	As of March 31, 2026	As of December 31, 2025
	NIS in millions	
Concurrent 1% increase	(61)	(41)
Concurrent 1% decrease	36	13

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

- Credit balances in checking accounts are attributed in line with common practice in conformity with the Basel directives, i.e. over an average term of 4-5 years for different customer types.
- When calculating sensitivity of interest revenues and non-interest revenues, the risk-free interest rate is capped in accordance with Proper Conduct of Banking Business Directive 333.
- The interest rate increase/decrease scenario includes an assumption that funds are diverted from current accounts to deposits and/or from short-term deposits to current accounts.

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

## Additional information about interest risk

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

Reported sums in millions of NIS

	As of March 31, 2026					
	On Call to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years
Financial assets <sup>(1)</sup>	257,620	24,352	79,417	97,108	34,587	31,907
Other amounts receivable <sup>(2)</sup>	159,459	157,626	190,533	66,369	45,976	22,790
Financial liabilities <sup>(1)</sup>	226,719	44,272	114,866	54,189	38,834	22,573
Liabilities with respect to employees' rights	11	16	74	232	199	426
Other amounts payable <sup>(2)</sup>	158,904	158,024	190,846	66,158	46,059	22,592
Exposure to interest rate fluctuations	31,445	(20,334)	(35,836)	42,898	(4,529)	9,106
<b>Additional details on exposure to changes in interest rates</b>						
<b>A. By nature of activity:</b>						
Exposure in bank portfolio	29,647	(21,008)	(52,488)	42,499	(4,563)	8,636
Exposure in trading portfolio	1,798	674	16,652	399	34	470
<b>B. By linkage basis:</b>						
Israeli currency – non-linked	38,015	(12,653)	(57,206)	33,227	(3,511)	5,050
Israeli currency – linked to the CPI	(9,670)	389	21,589	6,880	(1,457)	3,255
Foreign currency <sup>(4)</sup>	3,100	(8,070)	(219)	2,791	439	801
<b>C. Effect on exposure to interest rate fluctuations</b>						
Financial assets <sup>(1)</sup> , before assumptions	256,445	22,144	73,290	89,545	29,253	32,366
Effect of early repayment of residential mortgages <sup>(6)</sup>	1,175	2,208	6,127	7,563	5,334	(459)
Financial assets <sup>(1)</sup>	257,620	24,352	79,417	97,108	34,587	31,907
Financial liabilities <sup>(1)</sup> , before assumptions	269,316	39,999	107,511	46,012	34,153	9,776
Effect of attribution to terms of non-maturity deposits <sup>(6)</sup>	(43,750)	1,826	5,188	9,626	7,870	13,471
Effect of attribution of deposits to terms after the next withdrawal date <sup>(6)(7)</sup>	1,153	2,447	2,167	(1,449)	(3,189)	(674)
Financial liabilities <sup>(1)</sup>	226,719	44,272	114,866	54,189	38,834	22,573

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

(2) Amounts receivable and payable with respect to compound and off-balance sheet derivative financial instruments.

(3) Weighted average by fair value of average effective duration.

(4) Includes Israeli currency linked to foreign currency.

(5) Difference between effective average duration of financial assets and effective average duration of financial liabilities.

(6) The effect of the behavioral assumptions on average duration and internal rate of return is calculated by comparing the difference between the average duration and internal rate of return after the effect of the assumptions and the average duration and internal rate of return without those effects.

(7) The fair value of total deposits after the next withdrawal date, including the effect of early withdrawal assumptions, amounts to NIS 69,396 million.

#### **General remarks:**

- In this table, data by term represents the present value of the future cash flows of each financial instrument, discounted using the interest rate which discounts them to the fair value in accordance with assumptions according to which the fair value of the financial instrument was calculated. See Note 33 to the Financial Statements as of December 31, 2025.
- Internal rate of return is the interest rate which discounts the expected cash flows from a financial instrument to its fair value recognized under Note 16 to the financial statements.
- Average effective duration of a group of financial instruments is an approximation of the change, in percent, in fair value of the group of financial instruments which would be caused by a minor change (0.1% increase) in the internal rate of return of each of the financial instruments.
- Certain transactions conducted by the Bank constitute complex financial instruments, which include embedded derivatives not detached, in accordance with Public Reporting Directives. These transactions include, inter alia, loans with exit points, deposits bearing graduated interest rates with withdrawal dates, credit and deposits with guaranteed minimum and deposits with optional linkage. The Bank reflects the interest rate risk with respect to these instruments in a reasonable manner, by spreading maturities of the cash flows in accordance with contract dates, and with various assumptions based on past experience.

**Risks Report**  
As of March 31, 2026

<b>As of December 31, 2025</b>									
<b>Over 10 years to 20 years</b>	<b>Over 20 years</b>	<b>Without maturity</b>	<b>Total fair value</b>	<b>Internal rate of return  In %</b>	<b>Average effective duration<sup>(3)</sup>  in years</b>	<b>Total fair value</b>	<b>Internal rate of return  In %</b>	<b>Average effective duration<sup>(3)</sup>  in years</b>	
11,736	1,521	743	538,991	4.40	1.42	534,957	4.58	1.41	
4,662	556	-	647,971		0.74	593,540		0.61	
888	(25)	-	502,316	3.00	0.97	500,149	2.74	0.94	
576	330	-	1,864		12.24	1,954		11.52	
4,547	542	-	647,672		0.92	594,275		0.80	
10,387	1,230	743	35,110			32,119			
10,282	1,152	743	14,900		0.12	12,207		0.13	
105	78	-	20,210		1.81	19,912		1.46	
6,382	568	732	10,604		<sup>(5)</sup> 0.13	7,766		<sup>(5)</sup> 0.18	
3,121	211	-	24,318		<sup>(5)</sup> 0.95	23,968		<sup>(5)</sup> 0.87	
884	451	11	188		<sup>(5)</sup> (0.05)	385		<sup>(5)</sup> (0.10)	
27,793	8,099	743	539,678	4.40	2.10	535,528	4.55	2.05	
(16,057)	(6,578)	-	(687)	(0.03)	(1.40)	(571)	0.02	(1.36)	
11,736	1,521	743	538,991	4.40	1.42	534,957	4.58	1.41	
716	(25)	-	507,458	3.00	1.02	504,583	2.73	0.98	
380	-	-	(5,389)	3.23	1.37	(4,601)	3.03	1.25	
(208)	-	-	247	0.05	(0.14)	167	0.04	(0.15)	
888	(25)	-	502,316	3.00	0.97	500,149	2.74	0.94	

## Liquidity risk

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

Liquidity risk is a unique, material risk due to the need to respond to such risk within the shortest time possible. Materialization of this risk may cause the Bank to incur significant losses, or may even bring about collapse of the Bank. Liquidity risk remained low-medium. 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, after it has increased since the outbreak of the war and due to the security situation in Israel.

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.

A discussion was held in October 2025 following the coming into effect of the ceasefire in the south and it was decided to maintain this state of alert.

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

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

## Liquidity coverage ratio

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

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

Below is information about liquidity coverage ratio<sup>(1)</sup> (NIS in millions):

	<b>Three months ended March 31, 2026</b>	
	<b>Total unweighted value<sup>(2)</sup> (Average)</b>	<b>Total weighted value<sup>(3)</sup> (Average)</b>
<b>Total high quality liquid assets</b>		
<b>Total high quality liquid assets (HQLA)</b>		<b>112,384</b>
<b>Outgoing cash flows</b>		
Retail deposits from individuals and from small businesses, of which:	183,017	10,839
Stable deposits	43,755	2,188
Less stable deposits	57,167	6,188
Deposits for term longer than 30 days	82,095	2,463
Non-secured wholesale financing, of which:	100,608	70,397
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	3,950	988
Deposits other than for operational needs (all counter parties)	95,080	67,831
Non-secured debts	1,578	1,578
Secured wholesale financing	-	138
Other liquidity requirements, of which:	215,517	77,626
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	66,960	66,960
Credit lines and liquidity	91,075	8,540
Other contingent financing obligations	57,482	2,126
<b>Total outgoing cash flows</b>	<b>499,143</b>	<b>159,000</b>
<b>Incoming cash flows</b>		
Secured loans	8,959	145
Incoming cash flows from exposures repaid regularly	23,574	17,217
Other incoming cash flows	67,775	64,947
<b>Total incoming cash flows</b>	<b>100,309</b>	<b>82,308</b>
		<b>Total adjusted value<sup>(4)</sup></b>
<b>Total high quality liquid assets (HQLA)</b>		<b>112,384</b>
<b>Total outgoing cash flows, net</b>		<b>76,692</b>
<b>Liquidity coverage ratio (%)</b>		<b>147</b>

(1) Information presented in terms of simple average of daily observations during the reported quarter. The number of observations used to calculate averages in the first quarter of 2026 is 76.

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

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

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

## Risks Report

As of March 31, 2026

Below is information about liquidity coverage ratio<sup>(1)</sup> (NIS in millions):

	Three months ended March 31, 2025	
	Total unweighted value <sup>(2)</sup> (Average)	Total weighted value <sup>(3)</sup> (Average)
<b>Total high quality liquid assets</b>		
<b>Total high quality liquid assets (HQLA)</b>		<b>92,696</b>
<b>Outgoing cash flows</b>		
Retail deposits from individuals and from small businesses, of which:	182,077	11,040
Stable deposits	44,230	2,211
Less stable deposits	59,600	6,481
Deposits for term longer than 30 days	78,247	2,347
Non-secured wholesale financing, of which:	89,514	59,646
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	2,999	750
Deposits other than for operational needs (all counter parties)	86,301	58,682
Non-secured debts	214	214
Secured wholesale financing	-	157
Other liquidity requirements, of which:	194,436	78,482
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	69,852	69,852
Credit lines and liquidity	74,954	6,980
Other contingent financing obligations	49,630	1,650
<b>Total outgoing cash flows</b>	<b>466,027</b>	<b>149,325</b>
<b>Incoming cash flows</b>		
Secured loans	5,084	161
Incoming cash flows from exposures repaid regularly	20,630	14,533
Other incoming cash flows	71,124	68,087
<b>Total incoming cash flows</b>	<b>96,837</b>	<b>82,781</b>
		<b>Total adjusted value<sup>(4)</sup></b>
<b>Total high quality liquid assets (HQLA)</b>		<b>92,696</b>
<b>Total outgoing cash flows, net</b>		<b>66,543</b>
<b>Liquidity coverage ratio (%)</b>		<b>139</b>

- (1) Information presented in terms of simple average of daily observations during the reported quarter. The number of observations used to calculate averages in the first quarter of 2025 is 76.
- (2) Un-weighted values are calculated as un-settled balances to be repaid or repayable by the holder within 30 days (for incoming and outgoing cash flows).
- (3) Weighted values are calculated after applying appropriate safety factors or rates of incoming and outgoing cash flows (for incoming and outgoing cash flows).
- (4) Adjusted values are calculated after applying: Safety factors and rates of incoming and outgoing cash flows, as well as other relevant limitations (i.e. limitation on high quality liquid assets and limitation on incoming cash flows, as set forth in Proper Conduct of Banking Business Directive 221).

## Risks Report

As of March 31, 2026

Below is information about liquidity coverage ratio<sup>(1)</sup> (NIS in millions):

	Three months ended December 31, 2025	
	Total unweighted value <sup>(2)</sup> (Average)	Total weighted value <sup>(3)</sup> (Average)
<b>Total high quality liquid assets</b>		
<b>Total high quality liquid assets (HQLA)</b>		<b>95,546</b>
<b>Outgoing cash flows</b>		
Retail deposits from individuals and from small businesses, of which:	183,544	10,984
Stable deposits	44,076	2,204
Less stable deposits	58,599	6,355
Deposits for term longer than 30 days	80,869	2,426
Non-secured wholesale financing, of which:	97,946	68,074
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	3,931	983
Deposits other than for operational needs (all counter parties)	93,633	66,710
Non-secured debts	381	381
Secured wholesale financing	-	118
Other liquidity requirements, of which:	202,394	79,294
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	69,704	69,704
Credit lines and liquidity	81,701	7,820
Other contractual financing obligations	-	-
Other contingent financing obligations	50,988	1,769
<b>Total outgoing cash flows</b>	<b>483,884</b>	<b>158,470</b>
<b>Incoming cash flows</b>		
Secured loans	6,801	130
Incoming cash flows from exposures repaid regularly	23,235	16,611
Other incoming cash flows	70,899	67,724
<b>Total incoming cash flows</b>	<b>100,935</b>	<b>84,465</b>
		<b>Total adjusted value<sup>(4)</sup></b>
<b>Total high quality liquid assets (HQLA)</b>		<b>95,546</b>
<b>Total outgoing cash flows, net</b>		<b>74,005</b>
<b>Liquidity coverage ratio (%)</b>		<b>129</b>

(1) Information presented in terms of simple average of daily observations during the reported quarter. The number of observations used in calculating the averages in the fourth quarter of 2025 is 75.

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

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

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

### Key factors that impact results of the liquidity coverage ratio

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

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

## Risks Report

As of March 31, 2026

### Composition of high quality liquid assets (HQLA)

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

	March 31		Average for the first quarter	
	2026	2025	2026	2025
	Level 1 assets	101,082	95,763	112,281
Level 2a assets	66	55	67	52
Level 2b assets	36	32	36	30
<b>Total HQLA</b>	<b>101,184</b>	<b>95,850</b>	<b>112,384</b>	<b>92,696</b>

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

### Composition of pledged and un-pledged available assets

	As of March 31, 2026		
	Total balance on balance sheet	Of which: Pledged	Of which: Non-pledged
Cash and deposits with central banks	64,570	3,277	61,293
Bonds of the Government of Israel	34,215	344	33,871
Bonds of others in Israel	2,796	-	2,796
Bonds of overseas governments	7,190	1,092	6,098
Bonds of others overseas	234	-	234
Loans to the public, net	400,501	-	400,501
<b>Total</b>	<b>509,506</b>	<b>4,713</b>	<b>504,793</b>

	As of March 31, 2025		
	Total balance on balance sheet	Of which: Pledged	Of which: Non-pledged
Cash and deposits with central banks	85,305	2,158	83,147
Bonds of the Government of Israel	24,704	479	24,225
Bonds of others in Israel	1,967	-	1,967
Bonds of overseas governments	1,513	653	860
Bonds of others overseas	264	-	264
Loans to the public, net	368,463	-	368,463
<b>Total</b>	<b>482,216</b>	<b>3,290</b>	<b>478,926</b>

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

## **Developments in liquidity coverage ratio**

In the first quarter of 2026, the Bank maintained appropriate liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. The average liquidity coverage ratio (consolidated) for the first quarter of 2026 was 147%.

The average ratio increased compared to the previous quarter as a result of an increase in the average balances of liquid assets due to excess of sources raised over loans origination. As of March 31, 2026, the consolidated liquidity coverage ratio was 128%.

## **Net stable funding ratio**

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

In conformity with this directive, the objective of the net stable funding ratio is to improve stability of the liquidity risk profile of banking corporations over the long term, by requiring banking corporations to maintain a stable funding profile in conformity with the composition of on-balance sheet assets and off-balance sheet operations. The ratio limits over-reliance by banking corporations on short-term wholesale funding. The net stable funding ratio consists of two components: available stable funding items and required stable funding items.

As required in the directive, the net stable funding ratio should be 100% or higher on regular basis.

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

# Risks Report

As of March 31, 2026

Below is information about the net stable funding ratio<sup>(1)</sup> (NIS in millions) as of March 31, 2026:

	A	B	E	D	S
	Non-weighted value by term to maturity				Weighted value
	No redemption date <sup>(1)</sup>	Up to 6 months	6-12 months	12 months or longer	
<b>Available stable funding items (ASF)</b>					
<b>Capital:</b>					
Supervisory capital	38,840	60	18	6,842	45,691
Other capital instruments	38,840	60	18	4,936	4,945
<b>Retail deposits from individuals and from small businesses</b>		146,875	19,680	4,145	156,637
Stable deposits		49,143	2,697	979	50,226
Less stable deposits		97,732	16,983	3,167	106,411
<b>Wholesale financing</b>		198,960	56,611	62,862	131,230
Deposits for operational needs		3,809			1,904
Other wholesale financing		195,151	56,611	62,862	129,325
<b>Liabilities with matching assets which are inter-dependent</b>					
<b>Other liabilities:</b>	287	1,735	2,173	11,670	12,756
Liabilities with respect to derivative instruments for net stable funding ratio			7,316		
All other liabilities and capital not included in the above categories	287	1,735	2,173	11,670	12,756
<b>Total available stable funding items (ASF)</b>					346,314
<b>Required stable funding items (RSF)</b>					
<b>Total high-quality liquid assets by net stable funding ratio (HQLA)</b>					1,891
<b>Deposits held at other financial institutions for operational purposes</b>					
<b>Loans and securities in good standing:</b>		65,902	41,751	299,161	292,189
Loans to financial institutions in good standing, secured by level 1 high-quality liquid assets					
Loans to financial institutions in good standing, secured by high-quality liquid assets other than in level 1, and loans to financial institutions in good standing which are not secured		8,904	8,552	10,960	16,571
Loans to wholesale customers, other than financial institutions, which are in good standing, loans to retail customers and to small businesses and loans to sovereigns, to central banks and to public sector entities		43,670	20,491	62,524	84,639
Of which: With risk weighting of 35% or lower, pursuant to Proper Conduct of Banking Business Directive 203				2	2
Residential mortgages secured by mortgage in good standing, of which:		13,327	12,699	225,331	190,680
Of which: With risk weighting of 35% or lower, pursuant to Proper Conduct of Banking Business Directive 203		4,019	3,981	69,326	49,061
Securities not in default which do not qualify as high-quality liquid assets, including shares traded on the stock exchange		1	9	346	300
<b>Assets with corresponding liabilities which are inter-dependent</b>					
<b>Other assets:</b>	4,105	1,917	2,481	1,632	12,055
Physically traded commodities, including gold					
Assets deposited as primary collateral for derivative contracts and provided to default funds of central counter parties (CCPs)			1,921		1,921
Assets with respect to derivative instruments for net stable funding ratio			6,751		
Liabilities with respect to derivative instruments for net stable funding ratio, before deduction of variable collateral deposited					
All other asset categories not included in the above categories	4,105	1,917	2,481	1,632	10,134
<b>Off-balance sheet items</b>			158,355		7,119
<b>Total required stable funding (RSF)</b>					313,255
<b>Net stable funding ratio (%)</b>					111

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

## **Key factors that impact results of the net stable funding ratio**

Net stable funding ratio on a consolidated basis as of March 31, 2026 was 111% compared to 112% at the end of 2025. The volatility of this ratio throughout the quarter was low; the main factors affecting the net stable funding ratio are: composition of Bank sources and uses by financing term, financing type and counter party. On the sources side – long-term liabilities are more stable than short-term liabilities, and funding from retail customers and small businesses is more stable than wholesale funding with the same maturity. When long-term sources grow shorter on a large scale (such as with subordinated notes) to a term shorter than one year, this factor affects the resulting ratio; however, because this is a funding source which typically has scattered maturities, the impact on the resulting ratio is not material. On the uses side – asset type, asset term and quality and liquidity value determine the required stable funding amount.

## **Other risks**

### **Model risk**

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

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

### **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.

### **Reputational risk**

The Bank's reputational risk remained Low. The Bank regularly monitors various benchmarks and indicators with regard to its reputation, indicating that the Bank has maintained a distinct reputational image among its customers. Furthermore, the customer experience remained high and stable over time and customer sentiment with regard to the Bank as reflected on social media is positive and eclipses that of its competitors. Mizrahi Tefahot's leading reputational performance is also maintained in the mortgages domain.

## Glossary of terms included in the risk management report

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

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

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

### Banking and finance terms

<b>B</b>	<b>Bonds</b> – 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.
<b>D</b>	<b>Derivative instrument</b> – A financial instrument or contract whose value changes in response to changes in the price of the underlying asset (a financial instrument, physical asset, index, credit rating or other underlying asset), requires a small or minimal initial investment, compared to other contract types, and is expected to be settled on a future date.
<b>I</b>	<b>Indebtedness</b> – On- and off-balance sheet credit, as defined in Proper Conduct of Banking Business Directive 313.
<b>N</b>	<b>Non-accruing debt</b> – Debt reviewed on individual basis where it is expected that the banking corporation would not be able to collect all amounts due and principal and interest payments in accordance with contractual terms and conditions of the debt agreement. Debt reviewed on individual basis is categorized as non-accruing in any case where principal or interest is in arrears over 90 days straight, unless the debt is well secured and is in collection proceedings.
<b>R</b>	<b>Recorded debt balance</b> – 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. <b>Financial instrument</b> – A contract that creates a financial asset for one entity and a financial liability or capital instrument for another entity.

**Terms with regard to regulatory directives**

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L	<b>LCR – Liquidity Coverage Ratio</b> – 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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