Bank Mizrahi Tefahot

Risks Report for the second quarter of 2026

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

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

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

Primary table of contents

List of tables included in the risks report

Risks Report

This Risks Report includes additional information to the condensed consolidated financial statements of Bank Mizrahi Tefahot Ltd. and its subsidiaries as of June 30, 2026. The condensed financial statements and additional information to the condensed financial statements, including the Report of the Board of Directors and Management, this Risks Report and other supervisory disclosures have been approved for publication by the Bank's Board of Directors at its meeting held on August 16, 2026.

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

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

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

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

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

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

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

Avraham Zeldman	**Moshe Lari**	**Ofer Horvitz**
Chairman of the Board of Directors	President & CEO	Vice-president Chief Risks Officer (CRO)

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

Forward-looking information

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

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

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

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

Key supervisory ratios and overview of risk management and risk assets

Key supervisory ratios – key data

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

	2026		2025			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Key supervisory and financial ratios						
Available capital						
Tier I equity[1]	36,582	35,692	35,239	34,406	33,591	32,629
Tier I capital before effect of transitional provisions	36,582	35,692	35,239	34,406	33,591	32,629
Total capital	46,487	45,691	44,910	44,243	42,749	41,855
Total capital before effect of transitional provisions	46,487	45,691	44,910	44,243	42,749	41,855
Risk weighted assets						
Total risk weighted assets (RWA)	358,082	351,030	344,155	339,205	322,657	314,583
Capital adequacy ratio (in %)						
Tier I capital ratio[1]	10.22	10.17	10.24	10.14	10.41	10.37
Tier I capital ratio before effect of transitional provisions	10.22	10.17	10.24	10.14	10.41	10.37
Total capital ratio	12.98	13.02	13.05	13.04	13.25	13.30
Total capital ratio before effect of transitional provisions	12.98	13.02	13.05	13.04	13.25	13.30
Tier I capital ratio required by Supervisor of Banks[2]	9.60	9.60	9.60	9.60	9.60	9.60
Available Tier I capital ratio, beyond what is required by the Supervisor of Banks[2]	0.62	0.57	0.64	0.54	0.81	0.77
Leverage ratio[3]						
Total exposure	631,901	605,827	599,134	572,454	556,629	540,851
Leverage ratio (in %)	5.79	5.89	5.88	6.01	6.03	6.03
Leverage ratio before effect of transitional provisions (in %)	5.79	5.89	5.88	6.01	6.03	6.03
Liquidity coverage ratio[4]						
Total high quality liquid assets	101,593	112,384	95,546	93,839	96,636	92,696
Total outgoing cash flows, net	76,872	76,692	74,005	71,365	71,607	66,543
Liquidity coverage ratio (in %)	132	147	129	131	135	139
Net stable funding ratio[5]						
Total available stable funding	352,764	346,638	331,061	326,864	321,248	314,616
Total required stable funding	320,108	313,524	296,626	293,031	286,456	278,777
Net stable funding ratio (in %)	110	111	112	112	112	113
Performance benchmarks						
Net profit return on equity[6][7]	16.0	14.1	16.3	17.6	17.8	16.2
Net profit return on risk assets[6][7]	1.61	1.41	1.63	1.78	1.81	1.66
Deposits from the public to loans to the public, net	112.0	109.0	112.0	107.6	110.8	109.6
Key credit quality benchmarks						
Ratio of balance of provision for credit losses to total loans to the public	0.85	0.89	0.95	0.98	1.06	1.11
Ratio of non-accruing debts or debts in arrears 90 days or longer to loans to the public	0.95	1.03	1.02	1.05	1.07	1.12
Expenses with respect to credit losses to loans to the public, net for the period[7]	0.08	0.03	0.02	0.04	0.06	0.11
Of which: With respect to group provision	(0.02)	(0.11)	(0.08)	(0.05)	0.01	(0.03)
Of which: With respect to commercial loans other than residential mortgages	0.25	0.20	0.20	0.19	0.16	0.40
Of which: with respect to residential mortgages	(0.03)	(0.09)	(0.09)	(0.05)	(0.01)	(0.06)
Ratio of net accounting write-offs to average loans to the public[7]	0.13	0.16	0.09	0.17	0.13	0.15

	First half		All of
	2026	2025	2025
Performance benchmarks			
Net profit return on equity(6)(7)	15.0	17.0	17.0
Net profit return on risk assets(6)(7)	1.51	1.74	1.72
Key credit quality benchmarks			
Expenses with respect to credit losses to loans to the public, net for the period(7)	0.06	0.08	0.06
Of which: With respect to group provision	(0.06)	0.04	0.02
Of which: With respect to commercial loans other than residential mortgages	0.22	0.27	0.34
Of which: with respect to residential mortgages	(0.05)	(0.03)	0.03
Ratio of net accounting write-offs to average loans to the public(7)	0.14	0.13	0.13

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

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

Bank approach to risk management

Efficient, comprehensive risk management is a major pillar for ensuring bank stability over time. The risks management strategy at the Bank is designed to identify, manage, monitor, quantify, avoid or mitigate all material risks associated with Bank operations and to support achievement of its business objectives. The Bank's business activity is exposed to various material financial and non-financial risks, whose materialization has potential to impact the Bank's financial results or image. The Bank has classified the following risks as material risks: Credit and concentration risks, financial risks that include liquidity risk and market and interest risks, compliance and regulatory risk, operational risks including IT risk, information and cyber security risk, legal risk, human capital risk, model risk and other risks mitigated as part of business management at the Bank, such as: Reputational risk, climate and environmental risks, strategic business risk and business and geopolitical environment risk.
This chapter describes the responsibility of management and of the Board of Directors in risk assessment and management processes, designed to disclose to stakeholders relevant, material information for understanding all significant risks to which the Bank is exposed, the Bank's risk tolerance and risk appetite with respect to its major operations, the Bank's risk profile and material developments in the reported period which have material potential to impact risks and risk management at the Bank.

General information regarding management of various risks and the risk profile

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

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

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

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

Developments in the business and geopolitical environment

During the second quarter of 2026, the Israeli economy continues to operate in an environment of geopolitical uncertainty alongside recovery in economic activity. During the second quarter of 2026, against the backdrop of the signing of memoranda of understanding between the US and Iran, and between Israel and Lebanon, Israel's risk premium decreased and stands at a level close to 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 first quarter of 2026, and they reflect the uncertainty regarding the geopolitical risks, particularly the tensions between the USA and Iran and the uncertainty as to the future economic effects of these tensions and the macroeconomic environment. As in previous quarters, no material changes were observed in the various risk benchmarks during this quarter. The credit-quality indicators do not point to a deterioration or the emergence of material risk concentrations. 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 July 15, 2026 the credit rating agency Moody's affirmed Israel's credit rating at Baa1 with a stable rating outlook. 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.

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. July 15, 2026 - the rating and the rating outlook were not changed. The Israeli economy has demonstrated robustness amid geopolitical shocks, but the security environment remains unstable.
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 were not changed. The rating 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 reported the results of the scenario 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).

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 second quarter of 2026 the Israeli economy continued to recover despite geopolitical effects.

In its interest decision of July 2026, the Bank of Israel cut its interest rate by 0.25%, to 3.5%. This cut followed 3 interest-rate cuts of 0.25% each starting in November 2025. In the first half of the year, the Consumer Price Index (CPI "in lieu") increased by 1.2%. During the second quarter of 2026 the shekel appreciated by 5.6% against the dollar and by 6.6% against the euro. The shekel's appreciation trend reduced inflationary pressures in Israel during this period. In July, the trend has changed and the shekel experienced some devaluation.

According to a publication by the Bank of Israel's Research Division of July 2026, GDP in Israel is expected to grow by 4% in 2026, and annual inflation in 2026 is expected to stand at 1.8%, 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.

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

   Under the bolstering of its technological infrastructure, the Bank invests extensively in technology systems in order to address the evolving challenges of the business environment, and to maintain its differentiation as an advanced yet people-focused bank while providing advanced technological solutions, implementing the use of AI-based business, technological, and operational solutions, and mitigating various aspects of technological risk. The Bank is developing advanced tools for analyzing data and extracting information from data, in order to improve its measuring capacity and decision making, both from business marketing aspects and from risk management aspects. The risk level remained medium.

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

   During the second quarter of 2026, the assessment of information security and cyber risk levels remained unchanged at medium-high, having been increased from medium in the second quarter of 2025.

   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 the expansion of the use of AI technologies by attackers and the deployment of offensive AI tools might lead to more sophisticated cyberattacks. The Bank is studying the risk and preparing for it through an orderly plan.

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

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

   The Bank has minimal risk appetite for compliance and regulatory risk, with regard to compliance with statutory provisions applicable to the Bank. Therefore, the Bank has determined that any deficiencies found in compliance

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

with statutory provisions should be addressed by Bank units as a top priority. The Bank has specified a multi-annual work plan, which includes required action for reducing compliance risk.

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

6. **Artificial Intelligence (AI) risks** - the Bank takes action to implement AI solutions in its technological and business domains in order to improve customer services and 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 has completed its preparations for the implementation of Proper Conduct of Banking Business Directive 345 "Principles for effective management of climate-related financial risk", issued by the Supervisor of Banks in June 2023, and which came into effect in June 2026.

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

Overview of weighted risk assets

	Risk weighted assets		Minimum capital requirements[1]
	As of June 30, 2026	**As of March 31, 2026**	**As of June 30, 2026**
Credit risk (standard approach)[2]	323,116	315,897	40,390
Counter-party credit risk (standard approach)	4,627	5,098	578
Credit risk value adjustment (CVA)[3]	1,667	1,740	208
Settlement risk	339	367	42
Amounts lower than discount threshold (subject to 250% risk weighting)	5,447	5,432	681
Total credit risk	**335,196**	**328,534**	**41,899**
Market risk (standard approach)	2,767	2,377	346
Operational Risk[4]	20,119	20,119	2,515
Total	**358,082**	**351,030**	**44,760**

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

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

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

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

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

Capital and leverage

Composition of supervisory capital

		As of June 30		As of December 31
		2026	2025	2025
				NIS in millions
Tier I equity: Instruments and retained earnings				
1	Ordinary share capital issued by the banking corporation and ordinary share premium for shares included in Tier I equity	3,803	3,746	3,784
2	Retained earnings, including dividends proposed or announced after the balance sheet date	32,251	29,487	30,906
3	Cumulative other comprehensive income and retained earnings disclosed	46	(119)	75
5	Ordinary shares issued by consolidated subsidiaries of the banking corporation, which are held by a third party (non-controlling interests)	634	607	646
6	**Tier I equity before regulatory adjustments and deductions**	36,734	33,721	35,411
Tier I equity: Supervisory adjustments and deductions				
8	Goodwill, net of any deferred tax liabilities	87	87	87
9	Other intangible assets, excluding mortgage service rights, net of deferred tax liabilities	-	10	-
11	Accumulated other comprehensive income with respect to cash flows hedging of items not listed at fair value on the balance sheet	(34)	4	-
14	Un-realized gains and losses from changes to fair value of liabilities arising from changes to the banking corporation's own credit risk. Furthermore, with regard to liabilities with respect to derivative instruments, all accounting value adjustments (DVA) arising from the bank's own credit risk should be deducted	11	17	8
26	Supervisory adjustments and other deductions stipulated by the Supervisor of Banks	88	12	77
28	**Total supervisory adjustments and Tier I deductions**	152	130	172
29	**Tier I shareholders' equity**	36,582	33,591	35,239
Additional Tier I capital: Instruments				
44	**Additional Tier I capital**	-	-	-
45	**Tier I capital**	36,582	33,591	35,239
Tier II capital: Instruments and provisions				
46	Instruments issued by the banking corporation (not included in Tier I capital) and premium for such instruments	2,234	2,023	1,914
48	Tier II capital instruments issued by subsidiaries of the banking corporation to third-party investors	4,204	3,430	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	3,467	3,705	3,620
51	**Tier II capital before deductions**	9,905	9,158	9,671
Tier II capital: Deductions				
57	**Total deductions from Tier II capital**	-	-	-
58	**Tier II capital**	9,905	9,158	9,671
59	**Total capital**	46,487	42,749	44,910
60	**Total risk weighted assets**	358,082	322,657	344,155
Capital ratios and capital preservation cushions				
61	Tier I shareholders' equity	10.22%	10.41%	10.24%
62	Tier I capital	10.22%	10.41%	10.24%
63	Total capital	12.98%	13.25%	13.05%
Minimum requirements stipulated by the Supervisor of Banks				
69	Minimum Tier I equity ratio required by Supervisor of Banks	9.60%	9.60%	9.60%
70	Minimum Tier I equity ratio required by Supervisor of Banks	9.60%	9.60%	9.60%
71	Minimum capital ratio required by the Supervisor of Banks	12.50%	12.50%	12.50%

		As of June 30	As of December 31
	2026	2025	2025
			NIS in millions
Amounts lower than the deduction threshold (before risk weighting)			
72 Investments in capital of financial corporations (other than banking corporations and subsidiaries thereof), up to 10% of ordinary share capital issued by the financial corporation, which is below the amortization threshold	46	62	56
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	4	4
75 Deferred tax assets created due to temporary differences, which is below the amortization threshold	2,174	2,362	2,223
Cap for inclusion of provisions in Tier II			
76 Provision qualifying for inclusion in Tier II with regard to exposures under the standard approach, before application of the cap	3,467	3,748	3,620
77 Cap for inclusion of provision in Tier II with regard to exposures under the standard approach	4,190	3,705	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 June 30, 2026, the Bank had no capital instruments included in additional Tier I capital.

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

Restrictions on capital structure:

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

Bank approach to capital adequacy assessment

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

Minimum capital ratio requirement

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

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

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

Leverage ratio

The Bank applies the rules set in Proper Conduct of Banking Business Directive 218 with regard to leverage ratio, which adopts the Basel Committee's recommendations on leverage ratio.
The leverage ratio is reflected in percent, defined as the ratio of Tier I capital to total exposures. Total exposure for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items.
According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.
On November 15, 2020, the Supervisor of Banks issued a circular regarding "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)", updating Proper Conduct of Banking Business Directive 250, whereby the leverage ratio shall be at least 4.5% on a consolidated basis, compared to 5% prior to this change. In the Supervisor of Banks' circular dated December 20, 2023, the effect of this relief was extended through December 31, 2025. A banking corporation applying this relief on this date would be required to revert to the required leverage ratio required prior to the temporary order within two quarters.

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

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

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

Comparison of assets on balance sheet and exposure measurement for leverage ratio	**As of June 30, 2026**	**As of June 30, 2025**	**As of December 31, 2025**
Total assets according to consolidated financial statements	580,815	517,287	551,173
Adjustments with respect to financial derivatives	4,112	(1,355)	3,194
Adjustments with respect to off-balance sheet items(1)	51,788	42,452	46,948
Other adjustments	(4,814)	(1,755)	(2,181)
Exposure for leverage ratio	**631,901**	**556,629**	**599,134**

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

Disclosure with regard to leverage ratio (NIS in millions)

	As of June 30, 2026	**As of June 30, 2025**	**As of December 31, 2025**
Composition of exposures and leverage ratio (NIS in millions)			
On-balance sheet exposures			
Assets on balance sheet	555,419	499,178	532,590
Amounts with respect to assets deducted to determine Tier I capital	(87)	(97)	(87)
Total on-balance sheet exposures	555,332	**499,081**	**532,503**
Exposures with respect to derivatives			
Subrogation cost for all transactions with respect to derivatives	2,773	2,655	1,958
Additional amounts with respect to future potential exposure for all transactions with respect to derivatives	8,299	5,379	7,364
Gross-up of collateral provided with respect to derivatives, deducted from assets on the balance sheet in conformity with Public Reporting directives	-	-	-
Deductions of receivable assets with respect to variable cash collateral provided in derivatives transactions	-	-	-
Exempt central counter-party leg of commercial exposures disposed by the customer	-	-	-
Adjusted effective par amount of credit derivatives written	-	-	-
Adjusted effective par offsets and deduction of additions with respect to credit derivatives written	-	-	-
Total exposure with respect to derivatives	11,072	**8,034**	**9,322**
Exposure with respect to securities financing transactions			
Gross assets with respect to securities financing transactions (without offsets), after adjustment for transactions accounted for as an accounting sale	13,709	7,062	10,361
Offset amounts of cash payable and cash receivable from gross assets with respect to securities financing transactions	-	-	-
Credit risk exposure for central counter-party with respect to securities financing assets	-	-	-
Exposures with respect to transactions as agent	-	-	-
Total exposure with respect to securities financing transactions	13,709	**7,062**	**10,361**
Other off-balance sheet exposures			
Off-balance sheet exposure in par value, gross	168,638	145,535	156,694
Adjustments with respect to conversion to credit equivalent amounts	(116,850)	(103,083)	(109,746)
Off-balance sheet items	51,788	42,452	46,948
Capital and total exposure			
Tier I capital	36,582	33,591	35,239
Total exposure	631,901	556,629	599,134
Leverage ratio			
Leverage ratio in conformity with Proper Conduct of Banking Business Directive 218	5.79%	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 second quarter of 2026, the positive trend in economic activity in Israel continued and economic activity was uninterrupted without any indication to increased risk levels compared to previous quarters. In the construction and real estate sector sales have been slowing down for some time; the Bank has expanded its monitoring and control processes regarding risk concentrations in the portfolio, and at this stage these processes did not indicate the materialization of risks in these concentrations. It is noted that no material effect on the credit portfolio was identified.

The overall impact of the credit risk remains medium and reflects the uncertainty in connection with the geopolitical risks, the stability of the security situation, and the potential effect of the economic conditions on the business sector. The Bank of Israel’s path of cutting the interest rate to 3.5% and the improvement in the macroeconomic environment are expected to improve borrowers' repayment capacity. The effect of the appreciation in the exchange rate of the USD/NIS exchange rate on business customers was assessed and at this stage no material risk concentrations were identified.

A. Overall effect of credit risks

In the second quarter of 2026, the overall level of credit risk remained medium. Despite the geopolitical uncertainty, the credit quality metrics remained stable. Further interest rate cuts support business growth and improve customers’ repayment capacity. 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 June 30, 2026, deferred payments for business segment customers stand at NIS 63 million, out of the total loan balance that has undergone changes to terms amounting to NIS 409 million.
As of June 30, 2026, deferred payments for individual segment customers stand at NIS 4 million, out of the total loan balance with that has undergone changes to terms amounting to NIS 35 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. 18.4%. Improvement and stabilization of the security situation and greater clarity regarding economic conditions and further interest rate cuts may cause buyers to return to the market and increase the pace of sales, which slowed-down in the last few quarters. The Bank monitors the development of the sector's risk characteristics and the effects of changes on Bank operations, including monitoring the portfolio and focusing on risk concentrations, including areas with high levels of unsold inventory, non-linear purchase contracts and transaction cancellations; so far, no risk materialization has been identified in those risk concentrations.
For more information see Note 1 to the financial statements.
For more information about credit risk in the construction and real estate sector, see chapter "Credit risk" in the Report of the Board of Directors and Management.

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 second 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 Lion's Roar resumed normal payments, and the Bank deals in an orderly manner with customers who still defer payments.
As of June 30, 2026, deferred payments for residential mortgage segment customers stand at NIS 17 million, out of a total loan balance that has undergone changes to the terms and conditions amounting to NIS 924 million, compared to deferred payments for residential mortgage segment customers as of March 31, 2026, which stood at NIS 29 million out of a loan balance that has undergone changes to terms and conditions amounting to NIS 4.45 billion.
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

				June 30, 2026
	Gross balances(1)			
	Non-accruing or in arrears 90 days or longer	Others	Provisions for credit losses	Net balance
Debts, except for bonds	4,049	481,885	3,579	482,355
Bonds	-	33,412	-	33,412
Off-balance sheet exposures(2)	18	168,908	275	168,651
Total	**4,067**	**684,205**	**3,854**	**684,418**

				June 30, 2025
	Gross balances(1)			
	Non-accruing or in arrears 90 days or longer	Others	Provisions for credit losses	Net balance
Debts, except for bonds	4,068	442,850	4,026	442,892
Bonds	-	28,898	-	28,898
Off-balance sheet exposures(2)	56	145,723	243	145,536
Total	**4,124**	**617,471**	**4,269**	**617,326**

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

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

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

Credit risk by economic sector

As of June 30, 2026

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

	Total credit risk[1]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[3]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non-accruing	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,258	1,172	42	44	1,258	918	44	31	(2)	(3)	30
Mining and excavation	5,476	5,475	-	1	5,361	4,133	1	-	6	-	42
Industry and production	16,186	15,045	660	481	15,968	8,642	481	167	(44)	4	314
Of which: Diamonds	1,048	906	10	132	1,048	694	132	61	(14)	(2)	38
Construction and real estate – construction[6]	89,178	83,785	4,951	442	89,069	43,890	442	259	51	10	386
Construction and real estate – real estate operations	12,416	12,071	129	216	11,944	10,481	212	77	14	(1)	232
Electricity and water delivery	14,159	13,991	134	34	13,822	8,740	34	1	1	1	166
Commerce	19,397	18,350	531	516	19,126	14,806	516	339	53	97	398
Hotels, dining and food services	2,954	2,807	69	78	2,862	2,208	78	38	3	12	98
Transport and storage	6,266	5,682	495	89	6,250	4,155	89	49	(5)	-	111
Information and communications	3,056	2,970	72	14	2,992	1,701	14	9	-	(1)	27
Financial services	46,163	46,085	69	9	40,772	23,498	9	3	2	(9)	46
Of which: Non-bank financial institutions	22,156	22,156	-	-	17,836	8,991	-	-	(4)	-	11
Of which: Capital market actors	7,354	7,354	-	-	7,310	7,161	-	-	1	-	1
Of which: Credit services providers	4,809	4,809	-	-	4,806	4,104	-	-	14	-	15
Of which: Holding companies	863	859	2	2	837	558	2	2	(9)	(10)	10
Other business services	9,224	8,985	100	139	9,206	5,795	139	60	4	13	160
Public and community services	4,027	3,845	86	96	4,001	3,015	96	50	13	7	89
Total commercial	**229,760**	**220,263**	**7,338**	**2,159**	**222,631**	**131,982**	**2,155**	**1,083**	**96**	**130**	**2,099**
Private individuals – residential mortgages	274,780	268,423	3,753	2,604	274,780	253,302	2,604	2,604	(69)	-	1,029
Private individuals – other	46,227	45,566	384	277	46,214	29,170	277	46	45	124	654
Total public – activity in Israel	**550,767**	**534,252**	**11,475**	**5,040**	**543,625**	**414,454**	**5,036**	**3,733**	**72**	**254**	**3,782**
Banks in Israel	4,504	4,504	-	-	743	743	-	-	-	-	-
Government of Israel	36,657	36,657	-	-	-	-	-	-	-	-	-
Total activity in Israel	**591,928**	**575,413**	**11,475**	**5,040**	**544,368**	**415,197**	**5,036**	**3,733**	**72**	**254**	**3,782**
Borrower activity overseas											
Total public – activity overseas	15,552	15,276	-	276	15,377	11,053	262	79	53	45	145
Overseas banks	8,535	8,535	-	-	8,484	8,484	-	-	1	-	5
Overseas governments	15,668	15,668	-	-	286	286	-	-	(5)	(4)	-
Total activity overseas	**39,755**	**39,479**		**276**	**24,147**	**19,823**	**262**	**79**	**49**	**41**	**150**
Total	**631,683**	**614,892**	**11,475**	**5,316**	**568,515**	**435,020**	**5,298**	**3,812**	**121**	**295**	**3,932**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 435,020; bonds – 55,198; securities borrowed or acquired under resale agreements – 64; (on- and off-balance sheet) credit risk with respect to derivatives – -7,906; and credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 133,495.

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

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

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

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

(6) Includes on-balance sheet credit risk amounting to NIS 430 million and off-balance sheet credit risk amounting to NIS 591 million, extended to certain purchase groups which are in the process of construction. For more information on credit exposures secured by international re-insurers, see "Key exposure to foreign countries" below.

Credit risk by economic sector

As of June 30, 2025

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

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

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

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

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

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

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

(6) Includes on-balance sheet credit risk amounting to NIS 849 million and off-balance sheet credit risk amounting to NIS 940 million, extended to certain purchase groups which are in the process of construction. For more information on credit exposures secured by international re-insurers, see "Key exposure to foreign countries" below.

Credit risk by economic sector

As of December 31, 2025

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

	Total credit risk[1]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[3]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non-accruing	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,168	1,070	53	45	1,168	854	45	32	(3)	-	29
Mining and excavation	5,167	5,165	-	2	5,035	3,822	2	-	3	-	36
Industry and production	15,167	13,972	759	436	14,980	8,758	436	180	(53)	67	362
Of which: Diamonds	1,208	898	115	195	1,208	796	195	81	(29)	40	50
Construction and real estate – construction[6]	82,021	77,688	3,929	404	81,906	40,155	404	257	(51)	(14)	345
Construction and real estate – real estate operations	14,256	13,831	242	183	13,878	12,126	179	72	(9)	1	217
Electricity and water delivery	13,479	12,916	555	8	13,119	7,745	8	2	42	5	166
Commerce	17,445	16,243	601	601	17,229	13,430	601	374	43	53	442
Hotels, dining and food services	2,579	2,322	98	159	2,575	1,975	159	50	(1)	7	107
Transport and storage	5,295	4,688	517	90	5,279	2,817	90	54	62	31	116
Information and communications	2,060	2,021	27	12	1,988	1,183	12	7	(1)	(1)	26
Financial services	40,130	40,067	56	7	36,566	20,393	7	4	(12)	(2)	35
Other business services	8,561	8,221	195	145	8,547	5,362	145	76	25	42	169
Public and community services	3,700	3,481	125	94	3,688	2,754	94	65	26	23	83
Total commercial	**211,028**	**201,685**	**7,157**	**2,186**	**205,958**	**121,374**	**2,182**	**1,173**	**71**	**212**	**2,133**
Private individuals – residential mortgages	264,579	258,648	3,396	2,535	264,579	245,226	2,535	2,535	(119)	(4)	1,098
Private individuals – other	45,006	44,302	405	299	44,994	28,494	299	76	200	164	733
Total public – activity in Israel	**520,613**	**504,635**	**10,958**	**5,020**	**515,531**	**395,094**	**5,016**	**3,784**	**152**	**372**	**3,964**
Banks in Israel	4,595	4,595	-	-	584	584	-	-	-	-	-
Government of Israel	35,485	35,485	-	-	1	1	-	-	-	-	-
Total activity in Israel	**560,693**	**544,715**	**10,958**	**5,020**	**516,116**	**395,679**	**5,016**	**3,784**	**152**	**372**	**3,964**
Borrower activity overseas											
Total public – activity overseas	13,628	13,272	-	356	13,464	9,261	342	194	75	120	137
Overseas banks	17,430	17,430	-	-	17,364	17,364	-	-	1	-	4
Overseas governments	9,486	9,485	-	1	347	347	1	1	-	-	1
Total activity overseas	**40,544**	**40,187**		**357**	**31,175**	**26,972**	**343**	**195**	**76**	**120**	**142**
Total	**601,237**	**584,902**	**10,958**	**5,377**	**547,291**	**422,651**	**5,359**	**3,979**	**228**	**492**	**4,106**

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

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

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

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

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

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

Credit risk mitigation methods (CR3)

	As of June 30, 2026								
	Non-secured	Secured							
				Of which: By collateral		Of which: By financial guarantees		Of which: By credit derivatives	
	Total on-balance sheet balance[1]	Total on-balance sheet balance[1]	Of which: Secured amount[2]	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount
Debts, except for bonds	424,997	57,357	20,104	29,103	8,528	28,254	11,577	-	-
Bonds	33,412	-	-	-	-	-	-	-	-
Total	**458,410**	**57,357**	**20,104**	**29,103**	**8,528**	**28,254**	**11,577**	**-**	**-**
Of which: Non-accruing or in arrears 90 days or longer	3,727	322	54	197	29	126	24	-	-

	As of June 30, 2025								
	Non-secured	Secured							
				Of which: By collateral		Of which: By financial guarantees		Of which: By credit derivatives	
	Total on-balance sheet balance[1]	Total on-balance sheet balance[1]	Of which: Secured amount[2]	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount
Debts, except for bonds	388,291	54,600	17,236	27,712	7,382	26,888	9,854	-	-
Bonds	28,898	-	-	-	-	-	-	-	-
Total	**417,189**	**54,600**	**17,236**	**27,712**	**7,382**	**26,888**	**9,854**	**-**	**-**
Of which: Non-accruing or in arrears 90 days or longer	3,686	382	63	204	36	178	27	-	-

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

Credit risk using the standard approach

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

Asset types / risk weighting	0%	20%	35%	50%	60%	75%	100%	150%	Other	Total credit exposures (after conversion factors and collateral deduction)
										As of June 30, 2026
Sovereigns, central banks thereof and national monetary authority	97,738	5,599	-	-	-	-	69	50	-	103,456
Public sector entities (PSE) other than central Government	224	-	-	1,729	-	-	2	-	-	1,955
Banks (including multilateral development banks)	1	853	-	5,622	-	-	10	-	-	6,486
Securities companies	-	-	-	2,200	-	-	-	-	-	2,200
Corporations	273	10,928	-	7,507	-	-	123,023	8	73	141,812
Retail exposures to individuals	-	-	-	-	-	31,033	36	-	-	31,069
Loans to small businesses	-	-	-	-	-	14,222	8	-	-	14,230
Secured by residential property	-	-	66,932	60,651	86,125	25,131	10,331	-	-	249,170
Secured by commercial property	-	-	-	-	-	-	7,926	-	-	7,926
Loans in arrears	-	-	-	-	-	-	1,254	2,497	-	3,751
Other assets	2,824	-	-	-	-	-	5,479	615	-	8,918
Of which: with respect to shares	-	-	-	-	-	-	699	74	-	773
Total	**101,060**	**17,380**	**66,932**	**77,709**	**86,125**	**70,386**	**148,139**	**3,170**	**73**	**570,973**
										As of June 30, 2025
Sovereigns, central banks thereof and national monetary authority	93,219	7,959	-	-	-	-	235	-	-	101,413
Public sector entities (PSE) other than central Government	209	-	-	1,578	-	-	1	-	-	1,788
Banks (including multilateral development banks)	1	2,011	-	3,465	-	-	11	-	-	5,488
Securities companies	-	-	-	1,764	-	-	-	-	-	1,764
Corporations	264	10,268	-	5,975	-	-	102,771	726	116	120,120
Retail exposures to individuals	-	-	-	-	-	28,594	1	-	-	28,595
Loans to small businesses	-	-	-	-	-	13,610	-	-	-	13,610
Secured by residential property	-	-	65,174	54,501	73,006	26,274	9,572	-	-	228,527
Secured by commercial property	-	-	-	-	-	-	6,522	-	-	6,522
Loans in arrears	-	-	-	-	-	-	1,038	2,155	-	3,193
Other assets	2,450	-	-	-	-	-	4,618	506	-	7,574
Of which: with respect to shares	-	-	-	-	-	-	866	80	-	946
Total	**96,143**	**20,238**	**65,174**	**67,283**	**73,006**	**68,478**	**124,769**	**3,387**	**116**	**518,593**
										As of December 31, 2025
Sovereigns, central banks thereof and national monetary authority	97,345	7,548	-	-	-	-	85	137	-	105,115
Public sector entities (PSE) other than central Government	256	-	-	1,937	-	-	1	-	-	2,194
Banks (including multilateral development banks)	1	522	-	5,133	-	-	11	-	-	5,667
Securities companies	-	-	-	2,881	-	-	-	-	-	2,881
Corporations	229	10,568	-	7,207	-	-	112,357	546	100	131,007
Retail exposures to individuals	-	-	-	-	-	29,680	30	-	-	29,710
Loans to small businesses	-	-	-	-	-	13,945	7	-	-	13,952
Secured by residential property	-	-	68,176	58,104	78,775	25,514	9,745	-	-	240,314
Secured by commercial property	-	-	-	-	-	-	7,690	-	-	7,690
Loans in arrears	-	-	-	-	-	-	1,269	2,681	-	3,950
Other assets	3,074	-	-	-	-	-	5,097	442	-	8,613
Of which: with respect to shares	-	-	-	-	-	-	781	74	-	855
Total	**100,905**	**18,638**	**68,176**	**75,262**	**78,775**	**69,139**	**136,292**	**3,806**	**100**	**551,093**

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

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

Counter-party credit risk

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

	As of June 30, 2026				
	Subrogation cost	Future potential exposure	Alpha used to calculate regulatory EAD	Exposure after deduction of collateral	Risk assets
Standard approach for counter-party risk (SA-CCR) (for derivatives)	1,298	5,676	1.4	9,765	4,049
Comprehensive approach to credit risk mitigation (for securities financing transactions)				635	578
Total	**1,298**	**5,676**		**10,400**	**4,627**

	As of June 30, 2025				
	Subrogation cost	Future potential exposure	Alpha used to calculate regulatory EAD	Exposure after deduction of collateral	Risk assets
Standard approach for counter-party risk (SA-CCR) (for derivatives)	1,420	3,704	1.4	7,173	3,039
Comprehensive approach to credit risk mitigation (for securities financing transactions)				286	248
Total	**1,420**	**3,704**		**7,460**	**3,288**

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

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

	As of June 30, 2026		As of June 30, 2025		As of December 31, 2025	
	Exposure after deduction of collateral	Risk assets	Exposure after deduction of collateral	Risk assets	Exposure after deduction of collateral	Risk assets
Total – portfolios for which CVA is calculated using the standard approach	9,765	1,667	7,173	1,282	8,347	1,536

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

	As of June 30, 2026				
Supervisory portfolio / risk weighting	**0%**	**20%**	**50%**	**100%**	**Total credit exposure**
Sovereigns	-	11	-	-	11
Public sector entities (PSE) other than central Government	-	-	3	-	3
Banks (including multilateral development banks)	-	4,391	228	-	4,620
Securities companies	-	-	4,167	-	4,167
Corporations	-	-	43	894	937
Supervisory retail portfolios	-	-	-	26	26
Other assets	-	-	-	-	-
Total	-	4,402	4,442	921	9,765

	As of June 30, 2025				
Supervisory portfolio / risk weighting	**0%**	**20%**	**50%**	**100%**	**Total credit exposure**
Sovereigns	-	44	-	-	44
Public sector entities (PSE) other than central Government	-	-	19	-	19
Banks (including multilateral development banks)	-	3,340	221	17	3,578
Securities companies	-	-	2,615	-	2,615
Corporations	-	-	35	859	894
Supervisory retail portfolios	-	-	-	24	24
Other assets	-	-	-	-	-
Total	-	3,384	2,890	900	7,173

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

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

	As of June 30, 2026					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited			
	Disconnected	Not disconnected	Disconnected	Not disconnected	Fair value of collateral received	Fair value of collateral deposited
Cash – local currency	-	2,008	-	543	12,801	-
Cash – other currency	-	1,408	-	2,508	5	-
Domestic sovereign debt	-	878	-	-	24	-
Other sovereign debt	-	36	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	2	-	-	56	-
Shares	-	447	-	-	7,391	-
Other collateral	-	-	-	-	-	-
Total	-	4,778	-	3,051	20,277	-

	As of June 30, 2025					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited			
	Disconnected	Not disconnected	Disconnected	Not disconnected	Fair value of collateral received	Fair value of collateral deposited
Cash – local currency	-	2,190	-	132	5,953	-
Cash – other currency	-	2,289	-	3,612	6	-
Domestic sovereign debt	-	271	-	-	114	-
Other sovereign debt	-	10	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	32	-	-	4	-
Shares	-	1,214	-	-	5,413	-
Other collateral	-	-	-	-	-	-
Total	-	6,006	-	3,744	11,490	-

	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			
	Disconnected	Not disconnected	Disconnected	Not disconnected	Fair value of collateral received	Fair value of collateral deposited
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	-	-	-	-	-	-
Total	-	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 June 30, 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:
	June 30, 2026	**June 30, 2025**	**December 31, 2025**
Direct products			
Interest rate risk (general and specific)	2,016	1,996	1,945
Position risk in shares (general and specific)	56	51	59
Foreign currency risk	472	153	101
Commodities risk	-	-	-
Options	-	-	-
Delta Plus approach	223	45	21
Securitization	-	-	-
Total	**2,767**	**2,245**	**2,126**

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

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

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

	As of June 30, 2026				
			Foreign currency		
	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total
Financial assets[(2)]	413,248	90,260	49,986	10,628	564,122
Other amounts receivable with respect to financial derivatives, complex and off-balance sheet financial instruments	282,409	2,846	307,580	30,538	623,373
Financial liabilities[(2)]	(383,883)	(60,775)	(77,656)	(10,347)	(532,661)
Other amounts payable with respect to financial derivatives, complex and off-balance sheet financial instruments	(311,176)	(2,813)	(279,363)	(30,969)	(624,321)
Net fair value of financial instruments	598	29,518	547	(150)	30,513
Effect of liabilities with respect to employee rights	(693)	(1,219)	(3)	-	(1,915)
Effect of attribution to terms of non-maturity deposits	4,212	-	368	137	4,717
Adjusted net fair value	4,117	28,299	912	(13)	33,315
Of which: Banking portfolio	(9,201)	16,835	1,135	1,246	10,015
Of which: Effect of early repayment of residential mortgages	578	(1,024)	(3)	(21)	(470)
Of which: Effect of attribution of deposits to terms after the next withdrawal date	(361)	(10)	-	-	(371)

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

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

	As of June 30, 2026					As of December 31, 2025				
			Foreign currency					Foreign currency		
	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total
Concurrent 1% changes										
Concurrent 1% increase	(962)	(563)	(83)	(22)	(1,630)	(1,309)	(480)	74	(22)	(1,737)
Of which: Banking portfolio	(941)	(613)	(35)	(22)	(1,611)	(1,311)	(471)	89	(22)	(1,715)
Effect of attribution to terms of non-maturity deposits	1,078	-	148	59	1,285	1,001	-	141	52	1,194
Of which: Effect of early repayment of residential mortgages	2,310	1,061	-	2	3,373	2,122	1,008	-	3	3,133
Of which: Effect of attribution of deposits to terms after the next withdrawal date	(189)	(83)	-	-	(272)	(96)	(109)	-	-	(205)
Concurrent 1% decrease	565	516	54	29	1,164	981	356	(62)	30	1,305
Of which: Banking portfolio	537	450	47	30	1,064	977	345	(79)	29	1,272
Effect of attribution to terms of non-maturity deposits	(1,141)	-	(157)	(62)	(1,360)	(1,064)	-	(150)	(56)	(1,270)
Of which: Effect of early repayment of residential mortgages	(2,848)	(1,291)	-	(3)	(4,142)	(2,624)	(1,232)	-	(4)	(3,860)
Of which: Effect of attribution of deposits to terms after the next withdrawal date	196	90	-	-	286	100	119	-	-	219
Additional interest-rate scenarios in accordance with Proper Conduct of Banking Business Directives[3]										
Concurrent increase	(2,115)	(1,084)	(138)	(19)	(3,356)	(2,808)	(842)	165	(41)	(3,526)
Of which: Banking portfolio	(2,072)	(1,079)	(78)	(17)	(3,246)	(2,826)	(831)	190	(41)	(3,508)
Concurrent decrease	2,039	1,146	199	23	3,407	2,963	1,038	(101)	70	3,970
Of which: Banking portfolio	1,942	1,141	140	26	3,249	2,947	1,027	(138)	68	3,904
Steepening[4]	(1,614)	(113)	(304)	2	(2,029)	(1,627)	(188)	(338)	(13)	(2,166)
Of which: Banking portfolio	(1,559)	(105)	(310)	(2)	(1,976)	(1,569)	(188)	(325)	(13)	(2,095)
Flattening[5]	856	(194)	278	(9)	931	847	(30)	321	10	1,148
Of which: Banking portfolio	809	(199)	294	(4)	900	793	(29)	312	10	1,086
Short-term interest increase	(165)	(367)	128	(17)	(421)	(328)	(183)	178	5	(328)
Of which: Banking portfolio	(173)	(364)	160	(13)	(390)	(359)	(177)	181	4	(351)
Short-term interest decrease	90	423	(134)	19	398	286	285	(182)	(4)	385
Of which: Banking portfolio	98	421	(166)	15	368	317	280	(186)	(4)	407
Maximum	(2,115)	(1,084)	(304)	(19)	(3,356)	2,963	1,038	(338)	70	3,970
Of which: Banking portfolio	(2,072)	(1,079)	(310)	(17)	(3,246)	2,947	1,027	(325)	68	3,904

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

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

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

See Note 16 to the financial statements for additional information.

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

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

	As of June 30, 2026			As of December 31, 2025		
	Interest revenues	Non-interest financing revenues[(3)]	Total	Interest revenues	Non-interest financing revenues[(3)]	Total
Concurrent 1% changes[(2)]						
Concurrent 1% increase	54	120	174	(57)	263	206
Of which: Banking portfolio	46	170	216	(64)	284	220
Concurrent 1% decrease	(300)	(19)	(319)	(238)	(176)	(414)
Of which: Banking portfolio	(292)	(16)	(308)	(231)	(114)	(345)
Additional interest-rate scenarios in accordance with Proper Conduct of Banking Business Directives[(5)]						
Concurrent increase	81	202	283	(360)	565	205
Of which: Banking portfolio	61	334	395	(378)	598	220
Concurrent decrease	(1,044)	82	(962)	(568)	(286)	(854)
Of which: Banking portfolio	(1,024)	(21)	(1,045)	(550)	(271)	(821)
Maximum	(1,044)	202	(962)	(568)	565	(854)
Of which: Banking portfolio	(1,024)	334	(1,045)	(550)	598	(821)

(1) For a one-year term.
(2) Changes to risk-free interest.
(3) Includes the effect of fair value, gain (loss) from transactions in bonds and the effect of interest accrual for transactions in derivatives.
(4) An interest increase/decrease scenario features is an assumption of the purchase/sale of bonds as well as the diversion of checking accounts to deposits.

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

	As of June 30, 2026	As of June 30, 2025	As of December 31, 2025
	NIS in millions		
Concurrent 1% increase	(74)	(31)	(41)
Concurrent 1% decrease	46	1	13

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

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

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

Additional information about interest risk

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

Reported sums in millions of NIS

	As of June 30, 2026				
	On Call to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years
Financial assets(1)	266,536	31,937	87,176	97,869	33,755
Other amounts receivable(2)	189,560	116,880	179,520	64,924	46,382
Financial liabilities(1)	236,643	46,414	119,765	62,735	40,063
Liabilities with respect to employees' rights	9	12	60	234	202
Other amounts payable(2)	189,743	117,438	179,626	64,930	46,700
Exposure to interest rate fluctuations	29,701	(15,047)	(32,755)	34,894	(6,828)
Additional details on exposure to changes in interest rates					
A. By nature of activity:					
Exposure in bank portfolio	28,204	(15,696)	(52,480)	34,109	(6,852)
Exposure in trading portfolio	1,497	649	19,725	785	24
B. By linkage basis:					
Israeli currency – non-linked	40,745	(28,886)	(41,706)	28,054	(6,913)
Israeli currency – linked to the CPI	(10,221)	3,605	22,213	4,768	1,533
Foreign currency (4)	(823)	10,234	(13,262)	2,072	(1,448)
C. Effect on exposure to interest rate fluctuations					
Financial assets(1), before assumptions	265,124	29,299	79,858	91,074	29,195
Effect of early repayment of residential mortgages(6)	1,412	2,638	7,318	6,795	4,560
Financial assets(1)	266,536	31,937	87,176	97,869	33,755
Financial liabilities(1), before assumptions	279,541	40,798	108,330	60,286	34,737
Effect of attribution to terms of non-maturity deposits(6)	(44,102)	1,830	5,224	9,790	8,096
Effect of attribution of deposits to terms after the next withdrawal date(6)(7)	1,204	3,786	6,211	(7,341)	(2,770)
Financial liabilities(1)	236,643	46,414	119,765	62,735	40,063

(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 79,701 million.

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

							As of December 31, 2025		
Over 5 years to 10 years	**Over 10 years to 20 years**	**Over 20 years**	**Without maturity**	**Total fair value**	**Internal rate of return**	**Average effective duration[3]**	**Total fair value**	**Internal rate of return**	**Average effective duration[3]**
					In %	**in years**		**In %**	**in years**
32,527	11,947	1,610	765	564,122	4.44	1.39	534,957	4.58	1.41
21,178	4,407	522	-	623,373		0.72	593,540		0.61
21,413	915	(18)	14	527,944	2.96	0.97	500,149	2.74	0.94
439	607	352	-	1,915		11.41	1,954		11.52
21,046	4,328	510	-	624,321		0.89	594,275		0.80
10,807	10,504	1,288	751	33,315			32,119		
10,403	10,407	1,169	751	10,015		0.12	12,207		0.13
404	97	119	-	23,300		1.04	19,912		1.46
4,787	6,660	641	735	4,117		[5]0.11	7,766		[5]0.18
3,179	3,004	218	-	28,299		[5]1.06	23,968		[5]0.87
2,841	840	429	16	899		[5](0.04)	385		[5](0.10)
33,207	27,907	8,163	765	564,592	4.45	2.03	535,528	4.55	2.05
(680)	(15,960)	(6,553)	-	(470)	(0.02)	(1.41)	(571)	0.02	(1.36)
32,527	11,947	1,610	765	564,122	4.44	1.39	534,957	4.58	1.41
7,901	701	(18)	14	532,290	2.97	1.02	504,583	2.73	0.98
14,051	394	-	-	(4,717)	2.79	1.30	(4,601)	3.03	1.25
(539)	(180)	-	-	371	0.02	(0.17)	167	0.04	(0.15)
21,413	915	(18)	14	527,944	2.96	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.

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

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

Even in the second quarter of 2026, after the conclusion of the operation, the Bank maintains its level of readiness, and closely monitors the markets and various indicators.

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

Liquidity coverage ratio

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

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

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

	For the three months ended June 30, 2026	
	Total unweighted value[2] (Average)	**Total weighted value[3] (Average)**
Total high quality liquid assets		
Total high quality liquid assets (HQLA)		**101,593**
Outgoing cash flows		
Retail deposits from individuals and from small businesses, of which:	184,024	10,851
Stable deposits	44,593	2,230
Less stable deposits	56,778	6,142
Deposits for term longer than 30 days	82,653	2,480
Non-secured wholesale financing, of which:	102,509	72,016
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	3,849	962
Deposits other than for operational needs (all counter parties)	96,807	69,200
Non-secured debts	1,854	1,854
Secured wholesale financing	-	147
Other liquidity requirements, of which:	213,309	73,591
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	63,239	63,239
Credit lines and liquidity	90,062	8,339
Other contractual financing obligations	-	-
Other contingent financing obligations	60,008	2,013
Total outgoing cash flows	**499,842**	**156,605**
Incoming cash flows		
Secured loans	11,419	158
Incoming cash flows from exposures repaid regularly	24,447	17,983
Other incoming cash flows	65,133	61,592
Total incoming cash flows	**100,999**	**79,733**
		Total adjusted value[4]
Total high quality liquid assets (HQLA)		**101,593**
Total outgoing cash flows, net		**76,872**
Liquidity coverage ratio (%)		**132**

(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 second quarter of 2026 is 74

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

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

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

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

	Three Months Ending June 30, 2025	
	Total unweighted value[(2)] (Average)	**Total weighted value[(3)] (Average)**
Total high quality liquid assets		
Total high quality liquid assets (HQLA)		**96,636**
Outgoing cash flows		
Retail deposits from individuals and from small businesses, of which:	184,939	11,203
Stable deposits	44,766	2,238
Less stable deposits	60,301	6,569
Deposits for term longer than 30 days	79,871	2,396
Non-secured wholesale financing, of which:	96,395	65,764
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	2,690	673
Deposits other than for operational needs (all counter parties)	91,896	63,283
Non-secured debts	1,809	1,809
Secured wholesale financing	-	152
Other liquidity requirements, of which:	192,497	77,524
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	68,601	68,601
Credit lines and liquidity	74,467	7,123
Other contingent financing obligations	49,429	1,800
Total outgoing cash flows	**473,831**	**154,644**
Incoming cash flows		
Secured loans	5,690	162
Incoming cash flows from exposures repaid regularly	22,583	15,931
Other incoming cash flows	70,087	66,945
Total incoming cash flows	**98,360**	**83,037**
		Total adjusted value[(4)]
Total high quality liquid assets (HQLA)		**96,636**
Total outgoing cash flows, net		**71,607**
Liquidity coverage ratio (%)		**135**

(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 second quarter of 2025 is 75

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

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

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

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

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

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

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

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

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

Key factors that impact results of the liquidity coverage ratio

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

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

Composition of high quality liquid assets (HQLA)

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

	June 30		**Average for the second quarter**	
	2026	**2025**	**2026**	**2025**
Level 1 assets	112,160	96,039	101,488	96,554
Level 2a assets	69	55	69	52
Level 2b assets	36	32	36	30
Total HQLA	**112,265**	**96,126**	**101,593**	**96,636**

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 June 30, 2026		
	Total balance on balance sheet	Of which: Pledged	Of which: Non-pledged
Cash and deposits with central banks	69,631	4,377	65,254
Bonds of the Government of Israel	36,593	348	36,245
Bonds of others in Israel	3,025	-	3,025
Bonds of overseas governments	15,382	1,084	14,298
Bonds of others overseas	198	-	198
Loans to the public, net	423,726	-	423,726
Total	548,555	5,809	542,746

	As of June 30, 2025		
	Total balance on balance sheet	Of which: Pledged	Of which: Non-pledged
Cash and deposits with central banks	76,160	5,551	70,609
Bonds of the Government of Israel	26,136	344	25,792
Bonds of others in Israel	2,121	-	2,121
Bonds of overseas governments	10,180	757	9,423
Bonds of others overseas	242	-	242
Loans to the public, net	380,699	-	380,699
Total	495,538	6,651	488,887

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

Developments in liquidity coverage ratio

In the second quarter of 2026, the Bank maintained appropriate liquidity by investing excess liquidity in liquid assets of high quality – Level 1 assets. The average liquidity coverage ratio (consolidated) for the second quarter of 2026 was 132%.

Net stable funding ratio

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

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

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

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

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

	A	B	E	D	S
	Non-weighted value by term to maturity				**Weighted value**
Available stable funding items (ASF)	**No redemption date[1]**	**Up to 6 months**	**6-12 months**	**12 months or longer**	
Capital:	34,603	201	2	11,586	46,190
Supervisory capital	34,603	169		1,792	36,396
Other capital instruments		32	2	9,793	9,794
Retail deposits from individuals and from small businesses		150,183	17,053	3,862	156,975
Stable deposits		49,673	2,323	938	50,334
Less stable deposits		100,510	14,731	2,924	106,641
Wholesale financing		220,986	54,083	65,736	135,109
Deposits for operational needs		4,356			2,178
Other wholesale financing		216,630	54,083	65,736	132,930
Liabilities with matching assets which are inter-dependent					
Other liabilities:	330	1,815	2,497	13,242	14,491
Liabilities with respect to derivative instruments for net stable funding ratio				8,016	
All other liabilities and capital not included in the above categories	330	1,815	2,497	13,242	14,491
Total available stable funding items (ASF)					352,764
Required stable funding items (RSF)					
Total high-quality liquid assets by net stable funding ratio (HQLA)					2,423
Deposits held at other financial institutions for operational purposes					
Loans and securities in good standing:		63,819	46,527	302,664	298,207
Loans to financial institutions in good standing, secured by level 1 high-quality liquid assets					
Loans to financial institutions in good standing, secured by high-quality liquid assets other than in level 1, and loans to financial institutions in good standing which are not secured		7,236	8,640	10,435	15,841
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		43,119	24,598	62,686	86,519
Of which: With risk weighting of 35% or lower, pursuant to Proper Conduct of Banking Business Directive 203				2	1
Residential mortgages secured by mortgage in good standing, of which:		13,456	13,288	229,101	195,468
Of which: With risk weighting of 35% or lower, pursuant to Proper Conduct of Banking Business Directive 203		4,013	4,177	63,202	45,176
Securities not in default which do not qualify as high-quality liquid assets, including shares traded on the stock exchange		9	1	441	380
Assets with corresponding liabilities which are inter-dependent					
Other assets:	3,995	2,012	2,515	1,970	12,483
Physically traded commodities, including gold					
Assets deposited as primary collateral for derivative contracts and provided to default funds of central counter parties (CCPs)				1,991	1,991
Assets with respect to derivative instruments for net stable funding ratio				7,068	
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	3,995	2,012	2,515	1,970	10,492
Off-balance sheet items				157,006	6,994
Total required stable funding (RSF)					320,108
Net stable funding ratio (%)					110

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

Key factors that impact results of the net stable funding ratio

As of June 30, 2026, net stable funding ratio (on a consolidated basis) stood at 110%, compared to 111% as of March 31, 2026.

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

Other risks

Model risk

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

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

The Bank commenced the implementation of AI and GenAI-based models, which give rise to unique model risks, and accordingly, the Bank has in place adequate 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.

The Banking Supervision Department's survey for business customers, published in May 2026, indicates that the Bank also leads among business customers: It leads in satisfaction with telephone service, with banker availability, knows business owners' needs best, and is best at guiding business customers in making financial decisions.

Glossary of terms included in the risk management report

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

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

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

Banking and finance terms

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

Terms with regard to regulatory directives

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