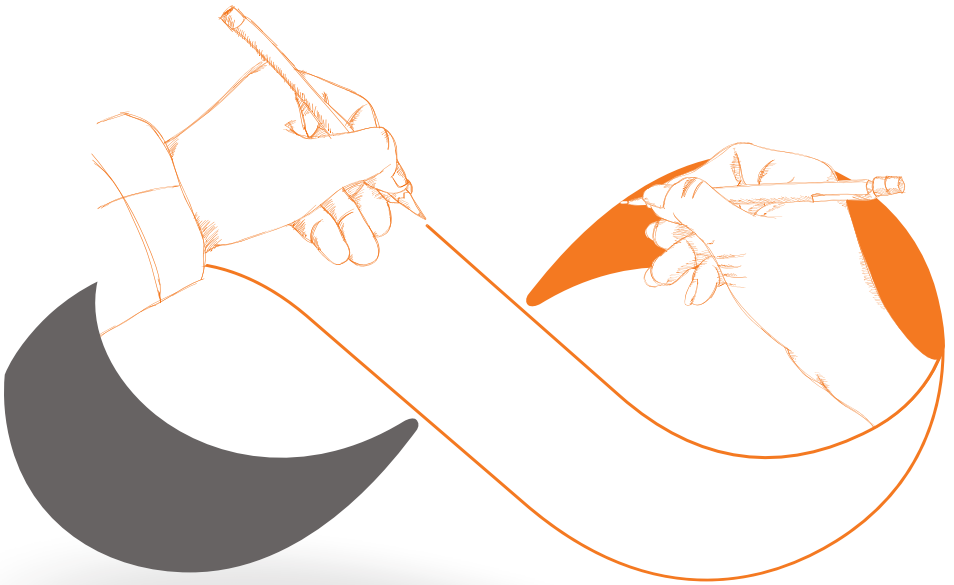
RISK MANAGEMENT REPORT AS OF 30.09.2025 3

מזרחי טפחות
MIZRAHI TEFAHOT



People first and foremost

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

Bank Mizrahi Tefahot

Risks Report for the third quarter of 2025

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

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Risks Report

This risks report includes additional information to the condensed consolidated financial statements of Bank Mizrahi Tefahot Ltd. and its subsidiaries as of September 30, 2025. The condensed financial statements and additional information to the condensed financial statements, including the Report of the Board of Directors and Management, this Risks Report and other supervisory disclosures have been approved for publication by the Bank's Board of Directors at its meeting held on November 17, 2025.

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 2024 Risks Report.

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

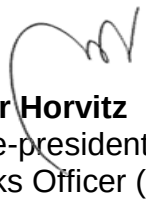
All of these reports are also available on the Bank website at:

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

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

Avraham Zeldman
Chairman of the Board of Directors

Moshe Lari
President & CEO



Ofer Horvitz
Vice-president Chief Risks Officer (CRO)

Approval date of the financial statements and risks report:
Ramat Gan, November 17, 2025

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):

	2025			2024			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Key supervisory and financial ratios							
Available capital							
Tier I equity[1]	34,406	33,591	32,629	31,963	31,128	30,252	29,422
Tier I capital before effect of transitional provisions	34,406	33,591	32,629	31,874	31,039	30,163	29,333
Total capital	44,243	42,749	41,855	41,060	40,549	39,541	37,851
Total capital before effect of transitional provisions	44,243	42,749	41,855	41,040	40,529	39,521	37,831
Risk weighted assets							
Total risk weighted assets (RWA)	339,205	322,657	314,583	307,364	298,536	289,808	277,611
Capital adequacy ratio (in %)							
Tier I capital ratio[1]	10.14	10.41	10.37	10.40	10.43	10.44	10.60
Tier I capital ratio before effect of transitional provisions	10.14	10.41	10.37	10.37	10.39	10.40	10.56
Total capital ratio	13.04	13.25	13.30	13.36	13.58	13.64	13.63
Total capital ratio before effect of transitional provisions	13.04	13.25	13.30	13.35	13.57	13.63	13.62
Tier I capital ratio required by Supervisor of Banks[2]	9.60	9.60	9.60	9.60	9.60	9.60	9.60
Available Tier I capital ratio, beyond what is required by the Supervisor of Banks[2]	0.54	0.81	0.77	0.80	0.83	0.84	1.00
Leverage ratio[3]							
Total exposure	572,454	556,629	540,851	529,598	517,795	505,336	491,302
Leverage ratio (in %)	6.01	6.03	6.03	6.04	6.01	5.99	5.99
Leverage ratio before effect of transitional provisions (in %)	6.01	6.03	6.03	6.02	5.99	5.97	5.97
Liquidity coverage ratio[4]							
Total high quality liquid assets	93,839	96,636	92,696	90,905	87,202	88,501	85,893
Total outgoing cash flows, net	71,365	71,607	66,543	67,313	68,489	67,447	61,899
Liquidity coverage ratio (in %)	131	135	139	135	127	131	139
Net stable funding ratio[5]							
Total available stable funding	326,864	321,248	314,616	306,692	301,090	291,303	284,082
Total required stable funding	293,031	286,456	278,777	272,502	266,114	256,681	249,506
Net stable funding ratio (in %)	112	112	113	113	113	113	114
Performance benchmarks							
Net profit return on equity[6][7]	17.6	17.8	16.2	16.9	19.0	19.9	18.1
Net profit return on risk assets[6][7]	1.78	1.81	1.66	1.71	1.93	2.03	1.84
Deposits from the public to loans to the public, net	107.6	110.8	109.6	109.9	110.6	110.6	110.6
Key credit quality benchmarks							
Ratio of balance of provision for credit losses to total loans to the public	0.98	1.06	1.11	1.14	1.17	1.20	1.22
Ratio of non-accruing debts or debts in arrears 90 days or longer to loans to the public	1.05	1.07	1.12	1.21	1.24	1.14	1.11
Expenses with respect to credit losses to loans to the public, net for the period[7]	0.04	0.06	0.11	0.12	0.15	0.13	0.21
Of which: With respect to group provision	(0.05)	0.01	(0.03)	(0.04)	0.04	(0.03)	0.10
Of which: With respect to commercial loans other than residential mortgages	0.19	0.16	0.40	0.34	0.28	0.31	0.50
Of which: with respect to residential mortgages	(0.05)	(0.01)	(0.06)	(0.02)	0.07	0.02	0.04
Ratio of net accounting write-offs to average loans to the public[7]	0.17	0.13	0.15	0.17	0.10	0.08	0.16

	Nine months		
	2025	**2024**	**2024**
Performance benchmarks			
Net profit return on equity[6][7]	17.2	19.0	18.5
Net profit return on risk assets[6][7]	1.75	1.93	1.87
Key credit quality benchmarks			
Expenses with respect to credit losses to loans to the public, net for the period[7]	0.07	0.16	0.14
Of which: With respect to group provision	(0.01)	0.03	0.02
Of which: With respect to commercial loans other than residential mortgages	0.23	0.35	0.34
Of which: with respect to residential mortgages	(0.04)	0.04	0.03
Ratio of net accounting write-offs to average loans to the public[7]	0.14	0.11	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, 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.

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.

Effects of the war

During the third quarter of 2025, the Israeli economy continued to operate in an environment of high geopolitical uncertainty due to the fighting in Gaza. The signing of the ceasefire agreement with Hamas in the south front at the beginning of October 2025 led to subsidence in the level of geopolitical uncertainty; however, uncertainty remains high in view of the concerns that the terms of the agreement might not be complied with and the challenges pertaining to the implementation of its later stages. The effects of the war are mainly evident on the supply side, in view of the continued shortage of workers, while on the demand side private spending has recovered. The deficit has gradually subsided throughout 2025 and was stable during the third quarter of the year.
The end of Operation Rising Lion and the ceasefire agreement in the south front led to a significant decrease in Israel’s risk premium; however, this premium is still higher than its level before the outbreak of the Iron Swords War.

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

In view of the increase in the systemic risk due to the war, the Bank increased its overall risk assessment as from the third quarter of 2023, which remained unchanged despite the improvement in economic parameters and in the security situation, and despite the fact that no material changes were observed in the various risk benchmarks against the backdrop of the geopolitical uncertainty. The Bank will continue assessing the risk assessments in the forthcoming quarters.

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

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

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

In the third quarter of 2025, Moody's and Fitch left the credit rating and the rating outlook unchanged, due to the potential future effects of the war, the economic uncertainty and the anticipation of stabilization in the security situation.
On October 16, 2025 the credit rating agency Moody's affirmed Israel's credit rating at Baa1 with a negative rating outlook. As part of its review, the rating agency noted that the ceasefire agreement has a positive effect on Israel's rating, but the implementation of the next stages will be difficult to achieve.

On October 30, 2025, the rating agency Fitch upgraded the rating outlook of the five largest banks in Israel from "negative" to "stable" and affirmed the rating at A-. The upgrade reflects the banks' tenacity in navigating the challenges Israel faced since the beginning of the war, and the reduced risks in the banking system. On November 7, 2025, the rating agency S&P reaffirmed the State of Israel's credit rating at A and upgraded its rating outlook from negative 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.
During 2024, as a result of the war and the intensification of the geopolitical risks, the international rating agencies downgraded the State of Israel's credit rating and revised the rating outlook. The banks' rating is influenced by the country's rating, and the Bank's credit rating and credit forecast was revised accordingly.

The State of Israel's credit rating

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 outlook to stable in view of the ceasefire agreement and the decline in security risks.
Moody's	Baa1	Negative	During 2024, the rating was downgraded by three nothces and the rating outlook remained negative. July 2025 - the rating and the rating outlook were not changed. October 16, 2025 - the rating and the rating outlook were not changed; the agency cited Israel's ceasefire agreement with Hamas as an improvement in the security situation, which allows the government to divert resources back to the economy and to cut the deficit. The rating will be materially affected only if the agreement will be honored over time.
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 30, 2025 - the rating outlook of the five banks was revised to "stable". The long-term IDR remained at A-. Economic activity in Israel largely returned to normal levels, providing banks with growth opportunities while easing pressure on asset quality.

Systemic scenario – uniform stress test

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

In May 2025, the Bank submitted to the Bank of Israel the results of the stress scenario for 2025 based on December 2024 data. A review of the Israeli banking system in 2024, which was published in May 2025, presented the system-wide results of a uniform stress scenario. For more information about the scenario outline and outcome at the system level and at Bank level, see the Risks Report for the second quarter of 2025.

General mapping of risk factors and their impact

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

The table below lists the risk factors and management assessments of the impact of each risk factor, on a scale of five risk levels: Low, Low-medium, Medium, Medium, Medium-High and High.

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

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

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

(1) Includes concentration in construction and real estate sector.
(2) Includes options and shares risk.
(3) Includes AML and terror financing risk and cross-border risk.
(4) The risk of impairment of the Bank's results due to negative reports about the Bank.
(5) The definition of strategic business risk includes the risk embodied in the capital planning and management process.
(6) Business and geopolitical environment risk - reflects exogenous risks arising from the business environment in which the Bank operates.

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 reputation. 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 in the Business goals and strategy chapter of the Report of the Board of Directors and Management for the third quarter of 2025.

2. **Business and geopolitical environment risk** - represents exogenous risks arising from the business environment in which the Bank operates, and reflects the uncertainty surrounding the security, economic, and geopolitical conditions in Israel. The business and geopolitical environment risk is assessed at medium-high and includes the risk associated with the potential impact of anti-banking regulation and the effects of the macroeconomic risk, regarding which there is uncertainty as to the extent of the effects of 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 September 2025, following the security developments, which occurred during the third quarter of 2025, the Bank of Israel's Research Department revised its growth forecast downward to 2.5% due to the appreciation of the shekel and the subsidence of inflation. In the current quarter, the Consumer Price Index increased by 0.5%. The Bank of Israel interest rate remained unchanged at 4.5%.

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

4. **Cyber and information security 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.

   Over the course of the third quarter of 2025, the assessment of information security and cyber risk levels remained unchanged at medium-high. In view of the war with Iran and the Israeli attack on Iranian cyberspace, and in particular the damage to the Iranian banking system, a global increase in threat factors has been identified, and primarily, an increase in Iran's motivation to potentially conduct cyberattacks on the Israeli banking-financial system. The Bank constantly enhances and improves its control and protection function and monitors developments in risk aspects.

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. The compliance risk also includes the Bank's compliance with fairness aspects and with the provisions of the Privacy Protection Law, 1981 and the 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.

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

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

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

   A. **Environmental risks** are risk deriving from the Bank's potential exposure to loss due to deterioration in the borrower's financial position due to high costs incurred as a result of environmental hazards (such as air and water pollution, soil contamination), regulation concerning environmental protection, or due to the Bank being indirectly liable for an environmental hazard caused by a project funded by the Bank. Environmental risk also includes other, derived risks: reputation risk, third-party liability risk and so forth.

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

   In recent years, there has been growing awareness in Israel and world-wide of the existence and extent of financial risk due to potential impact of events and processes related to climate change. The Bank is preparing to implement Proper Conduct of Banking Business Directive 345 "Principles for effective management of climate-related financial risk", issued by the Supervisor of Banks in June 2023, and which will come into effect in June 2026.

   For more information regarding the management of these risks, see the Environment, society and governance chapter to the 2024 Report of the Board of Directors and Management and the 2024 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.

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

Overview of weighted risk assets

	Risk weighted assets		Minimum capital requirements[1]
	As of September 30, 2025	As of June 30, 2025	As of September 30, 2025
Credit risk (standard approach)[2]	301,476	285,514	37,685
Counter-party credit risk (standard approach)	3,622	3,288	453
Credit risk value adjustment (CVA)[3]	1,564	1,282	196
Settlement risk	392	413	49
Amounts lower than discount threshold (subject to 250% risk weighting)	5,822	5,913	728
Total credit risk	**312,876**	**296,410**	**39,111**
Market risk (standard approach)	2,171	2,245	271
Operational Risk[4]	24,158	24,003	3,020
Total	**339,205**	**322,658**	**42,402**

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

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

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

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

The change in risk assets in the third quarter of 2025 was primarily due to growth in business lending and to growth in the residential mortgage portfolio.

Capital and leverage

Composition of supervisory capital

		As of September 30		As of December 31
		2025	2024	2024
				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	3,765	3,703	3,725
2	Retained earnings, including dividends proposed or announced after the balance sheet date	30,243	27,046	27,782
3	Cumulative other comprehensive income and retained earnings disclosed	(43)	(342)	(214)
5	Ordinary shares issued by consolidated subsidiaries of the banking corporation, which are held by a third party (non-controlling interests)	632	588	589
6	**Tier I equity before regulatory adjustments and deductions**	34,597	30,995	31,882
	Tier I equity: Supervisory adjustments and deductions			
8	Goodwill, net of any deferred tax liabilities	87	87	87
9	Other intangible assets, excluding mortgage service rights, net of deferred tax liabilities	5	25	20
11	Accumulated other comprehensive income with respect to cash flows hedging of items not listed at fair value on the balance sheet	3	3	5
14	Un-realized gains and losses from changes to fair value of liabilities arising from changes to the banking corporation's own credit risk. Furthermore, with regard to liabilities with respect to derivative instruments, all accounting value adjustments (DVA) arising from the bank's own credit risk should be deducted	18	15	11
26	Supervisory adjustments and other deductions stipulated by the Supervisor of Banks	78	(263)	(204)
28	**Total supervisory adjustments and Tier I deductions**	191	(133)	(81)
29	**Tier I shareholders' equity**	34,406	31,128	31,963
	Additional Tier I capital: Instruments			
44	**Additional Tier I capital**	-	-	-
45	**Tier I capital**	34,406	31,128	31,963
	Tier II capital: Instruments and provisions			
46	Instruments issued by the banking corporation (not included in Tier I capital) and premium for such instruments	-	2,226	2,188
48	Tier II capital instruments issued by subsidiaries of the banking corporation to third-party investors	6,143	3,772	3,380
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	3,694	3,423	3,529
51	**Tier II capital before deductions**	9,837	9,421	9,097
	Tier II capital: Deductions			
57	**Total deductions from Tier II capital**	-	-	-
58	**Tier II capital**	9,837	9,421	9,097
59	**Total capital**	44,243	40,549	41,060
60	**Total risk weighted assets**	339,205	298,536	307,364
	Capital ratios and capital preservation cushions			
61	Tier I shareholders' equity	10.14%	10.43%	10.40%
62	Tier I capital	10.14%	10.43%	10.40%
63	Total capital	13.04%	13.58%	13.36%
	Minimum requirements stipulated by the Supervisor of Banks			
69	Minimum Tier I equity ratio required by Supervisor of Banks	9.60%	9.60%	9.60%
70	Minimum Tier I equity ratio required by Supervisor of Banks	9.60%	9.60%	9.60%
71	Minimum capital ratio required by the Supervisor of Banks	12.50%	12.50%	12.50%
	Amounts lower than the deduction threshold (before risk weighting)			
72	Investments in capital of financial corporations (other than banking corporations and subsidiaries thereof), up to 10% of ordinary share capital issued by the financial corporation, which is below the amortization threshold	48	49	58
73	Investments in Tier I equity of financial corporations (other than banking corporations and subsidiaries thereof), over 10% of ordinary share capital issued by the financial corporation, which is below the amortization threshold	4	3	3
75	Deferred tax assets created due to temporary differences, which is below the amortization threshold	2,325	2,392	2,311
	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	3,694	3,745	3,668
77	Cap for inclusion of provision in Tier II with regard to exposures under the standard approach	3,911	3,423	3,529

Supervisory requirement

Supervisory capital is composed of two tiers: Tier I capital (including Tier I equity and Tier I additional capital) and Tier II capital.
Tier I capital includes equity attributable to equity holders of the Bank and the interest of external shareholders in equity of subsidiaries (excess capital at subsidiaries is not taken into account).
Tier I capital includes supervisory adjustments and deductions from capital – goodwill, investments in capital components of financial institutions, cumulative other comprehensive income with regard to cash flow hedges for items not presented at fair value on the balance sheet adjustments with respect to liabilities for derivative instruments, due to change in the Bank's credit risk (DVA) and other supervisory adjustments and deductions.
Additional Tier I capital consists of equity instruments which fulfill the requirements specified in the directives. As of September 30, 2025, the Bank had no capital instruments included in additional Tier I capital.
Tier II capital consists of a group provision for credit losses and equity instruments which fulfill the specified requirements.

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

Bank approach to capital adequacy assessment

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

Minimum capital ratio requirement

Capital ratios are calculated as the ratio of capital to weighted risk assets. Tier I equity ratio us calculated as the ratio of Tier I equity to weighted risk assets, and the total capital ratio is calculated as the ratio of total capital to weighted risk assets.
As per instructions of the Supervisor of Banks, the Bank is required to maintain a minimum Tier I equity ratio of no less than 9% and a minimum total equity ratio of no less than 12.5%. An additional capital requirement was added to the Tier I equity ratio at 1% of the residential mortgage balance as of the dates of financial statements, except for residential mortgages, which are subject to relief provided in the interim directive for addressing the Corona Virus crisis.
Consequently, the Bank's current required minimum ratio of Tier I equity ratio and minimum total capital ratio as of the report date are 9.60% and 12.50%, respectively (to which appropriate safety margins will be added). For more information see Note 9 to the financial statements.

Leverage ratio

The Bank applies the rules in Proper Conduct of Banking Business Directive 218 with regard to leverage ratio, which adopts the Basel Committee recommendations with regard to leverage ratio, stipulated in January 2014.
The leverage ratio is reflected in percent, defined as the ratio of Tier I capital to total exposures. Total exposure for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items.
According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.
On November 15, 2020, the Supervisor of Banks issued a circular regarding "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)", updating Proper Conduct of Banking Business Directive 250, whereby the leverage ratio shall be at least 4.5% on a consolidated basis, compared to 5% prior to this change.
In the Supervisor of Banks' circular dated December 20, 2023, the effect of this relief was extended through December 31, 2025. A banking corporation applying this relief at the time would be required to resume the required leverage ratio prior to the interim directive within two quarters, such that upon expiration of the interim directive, the banking corporation would be subject to a minimum leverage ratio based on the actual leverage ratio or the minimum ratio applicable to the banking corporation prior to the interim directive, whichever is lower.

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

The Bank's leverage ratio as of September 30, 2025 is 6.01%, compared to 6.03% in the previous quarter and 6.04% at the end of 2024.

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

Comparison of assets on balance sheet and exposure measurement for leverage ratio	**As of September 30, 2025**	**As of September 30, 2024**	**As of December 31, 2024**
Total assets according to consolidated financial statements	525,389	472,379	485,643
Adjustments with respect to financial derivatives	3,122	5,194	3,908
Adjustments with respect to off-balance sheet items[(1)]	45,933	36,742	40,402
Other adjustments	(1,990)	3,480	(355)
Exposure for leverage ratio	**572,454**	**517,795**	**529,598**

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

Disclosure with regard to leverage ratio (NIS in millions)

	As of September 30, 2025	As of September 30, 2024	As of December 31, 2024
Composition of exposures and leverage ratio (NIS in millions)			
On-balance sheet exposures			
Assets on balance sheet	508,180	465,731	473,600
Amounts with respect to assets deducted to determine Tier I capital	(92)	(112)	(107)
Total on-balance sheet exposures	**508,088**	**465,619**	**473,493**
Exposures with respect to derivatives			
Subrogation cost for all transactions with respect to derivatives	2,478	2,116	1,841
Additional amounts with respect to future potential exposure for all transactions with respect to derivatives	6,916	7,460	7,536
Gross-up of collateral provided with respect to derivatives, deducted from assets on the balance sheet in conformity with Public Reporting directives	-	-	-
Deductions of receivable assets with respect to variable cash collateral provided in derivatives transactions	-	-	-
Exempt central counter-party leg of commercial exposures disposed by the customer	-	-	-
Adjusted effective par amount of credit derivatives written	-	-	-
Adjusted effective par offsets and deduction of additions with respect to credit derivatives written	-	-	-
Total exposure with respect to derivatives	**9,394**	**9,576**	**9,377**
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	9,039	5,858	6,326
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	**9,039**	**5,858**	**6,326**
Other off-balance sheet exposures			
Off-balance sheet exposure in par value, gross	152,476	126,803	134,565
Adjustments with respect to conversion to credit equivalent amounts	(106,543)	(90,061)	(94,163)
Off-balance sheet items	45,933	36,742	40,402
Capital and total exposure			
Tier I capital	34,406	31,128	31,963
Total exposure	572,454	517,795	529,598
Leverage ratio			
Leverage ratio in conformity with Proper Conduct of Banking Business Directive 218	6.01%	6.01%	6.04%
Minimum leverage ratio required by the Supervisor of Banks	4.50%	4.50%	4.50%

Credit risk

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

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

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

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

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

Risk assessment developments:

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

A. Overall effect of credit risks

The overall level of credit risk remained Medium. The risk level for the quality of borrowers and collateral is slightly higher than previously, reflecting the economic and geopolitical uncertainty, and its impact on the borrowers' activity; this might affect the credit risk level.

In the third quarter of 2023, due to the war the risk to borrower and collateral quality increased, due to economic deterioration due to the war and its potential impact on the state of borrowers and overall business activity. In view of the coming into force of the ceasefire and the indicators which do not indicate a deterioration with respect to risk, the Bank will consider, over the coming quarters, reducing the risk level to align with the actual risk level. The Bank closely monitors the potential effects and constantly reviews and measures and risk benchmarks and levels, adapting them as required to current business activity, subject to and in line with the risk appetite.

As of September 30, 2025, deferred payments for business segment customers amounted to NIS 26 million, out of the total loan balance that has undergone changes to terms amounting to NIS 176 million.

As of September 30, 2025, deferred payments for individual segment customers amounted to NIS 21 million, out of the total loan balance with that has undergone changes to terms amounting to NIS 223 million.

B. Credit risk in the construction and real estate sector

The assessment of the total impact of credit risks and sector concentration includes the risk assessment with respect to Bank exposure to the construction and real estate sector. The Bank is mostly focused in this sector on extending credit for construction using the financial support method (closed project method). 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. 18.2%.

The ceasefire agreement and its effects may trigger a gradual recovery of demand in the sector. The Bank tracks the development of the industry's risk characteristics and the effects of changes on Bank operations, including monitoring the portfolio and focusing on risk concentrations.

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

As of September 30, 2025, deferred payments for residential mortgages segment customers amounted to NIS 33 million, out of the total loan balance that has undergone changes to terms amounting to NIS 734 billion.

For more information about credit risk, see chapter "Credit risk" in the 2024 Risks Report, available on the Bank website.

Credit quality of credit exposures

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

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

	December 31, 2024			
	Gross balances[1]			
	Non-accruing or in arrears 90 days or longer	Others	Provisions for credit losses	Net balance
Debts, except for bonds	4,388	431,382	4,113	431,657
Bonds	-	19,345	-	19,345
Off-balance sheet exposures[2]	72	134,671	245	134,498
Total	**4,460**	**585,398**	**4,358**	**585,500**

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

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

Credit risk mitigation methods (CR3)

	As of September 30, 2025								
	Non-secured	Secured							
				Of which: By collateral		Of which: By financial guarantees		Of which: By credit derivatives	
	Total on-balance sheet balance[1]	Total on-balance sheet balance[1]	Of which: Secured amount[2]	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount
Debts, except for bonds	392,207	55,268	17,070	28,298	7,485	26,970	9,585	-	-
Bonds	30,980	-	-	-	-	-	-	-	-
Total	**423,186**	**55,268**	**17,070**	**28,298**	**7,485**	**26,970**	**9,585**	**-**	**-**
Of which: Non-accruing or in arrears 90 days or longer	3,832	326	49	182	28	144	21	-	-

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

	As of December 31, 2024								
	Non-secured	Secured							
				Of which: By collateral		Of which: By financial guarantees		Of which: By credit derivatives	
	Total on-balance sheet balance[1]	Total on-balance sheet balance[1]	Of which: Secured amount[2]	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount	Balance sheet balance	Of which: Secured amount
Debts, except for bonds	378,950	52,698	17,859	28,445	7,977	24,254	9,882	-	-
Bonds	19,345	-	-	-	-	-	-	-	-
Total	**398,295**	**52,698**	**17,859**	**28,445**	**7,977**	**24,254**	**9,882**	**-**	**-**
Of which: Non-accruing or in arrears 90 days or longer	3,778	601	136	225	38	376	98	-	-

Credit risk using the standard approach

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

Asset types / risk weighting	0%	20%	35%	50%	60%	75%	100%	150%	Other	Total credit exposures (after conversion factors and collateral deduction)
										As of September 30, 2025
Sovereigns, central banks thereof and national monetary authority	84,181	7,799	-	-	-	-	313	-	-	92,293
Public sector entities (PSE) other than central Government	192	-	-	1,428	-	-	1	-	-	1,621
Banks (including multilateral development banks)	1	1,613	-	4,612	-	-	9	-	-	6,235
Securities companies	-	-	-	1,635	-	-	-	-	-	1,635
Corporations	249	9,766	-	5,761	-	-	113,741	243	107	129,867
Retail exposures to individuals	-	-	-	-	-	29,535	26	-	-	29,561
Loans to small businesses	-	-	-	-	-	13,792	6	-	-	13,798
Secured by residential property	-	-	67,392	56,354	76,262	26,068	9,580	-	-	235,656
Secured by commercial property	-	-	-	-	-	-	6,857	-	-	6,857
Loans in arrears	-	-	-	-	-	-	1,227	2,401	-	3,628
Other assets	2,768	-	-	-	-	-	4,958	446	-	8,172
Of which: with respect to shares	-	-	-	-	-	-	673	74	-	747
Total	**87,391**	**19,178**	**67,392**	**69,790**	**76,262**	**69,395**	**136,718**	**3,090**	**107**	**529,322**
										As of September 30, 2024
Sovereigns, central banks thereof and national monetary authority	88,606	5,968	-	-	-	-	240	-	-	94,814
Public sector entities (PSE) other than central Government	169	-	-	1,714	-	-	3	-	-	1,886
Banks (including multilateral development banks)	-	2,262	-	2,737	-	-	8	-	-	5,007
Securities companies	-	-	-	1,331	-	-	-	-	-	1,331
Corporations	283	10,540	-	6,038	-	-	87,135	1,522	1	105,519
Retail exposures to individuals	-	-	-	-	-	28,153	89	-	-	28,242
Loans to small businesses	-	-	-	-	-	13,580	-	-	-	13,580
Secured by residential property	-	-	60,639	50,886	66,294	26,772	9,494	-	-	214,085
Secured by commercial property	-	-	-	-	-	-	5,737	-	-	5,737
Loans in arrears	-	-	-	-	-	-	1,157	2,319	-	3,476
Other assets	2,896	-	-	-	-	-	4,262	359	-	7,517
Of which: with respect to shares	-	-	-	-	-	-	663	62	-	725
Total	**91,954**	**18,770**	**60,639**	**62,706**	**66,294**	**68,505**	**108,125**	**4,200**	**1**	**481,194**
										As of December 31, 2024
Sovereigns, central banks thereof and national monetary authority	90,241	6,244	-	-	-	-	209	-	-	96,694
Public sector entities (PSE) other than central Government	144	-	-	1,855	-	-	1	-	-	2,000
Banks (including multilateral development banks)	-	2,447	-	2,552	-	-	11	-	-	5,010
Securities companies	-	-	-	1,720	-	-	-	-	-	1,720
Corporations	266	10,563	-	6,193	-	-	92,961	901	2	110,886
Retail exposures to individuals	-	-	-	-	-	28,410	-	-	-	28,410
Loans to small businesses	-	-	-	-	-	13,332	-	-	-	13,332
Secured by residential property	-	-	62,005	52,309	69,305	26,607	9,512	-	-	219,738
Secured by commercial property	-	-	-	-	-	-	6,171	-	-	6,171
Loans in arrears	-	-	-	-	-	-	1,177	2,434	-	3,611
Other assets	2,705	-	-	-	-	-	4,343	397	-	7,445
Of which: with respect to shares	-	-	-	-	-	-	764	62	-	826
Total	**93,356**	**19,254**	**62,005**	**64,629**	**69,305**	**68,349**	**114,385**	**3,732**	**2**	**495,017**

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

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

Counter-party credit risk

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

	As of September 30, 2025				
	Subrogation cost	Future potential exposure	Alpha used to calculate regulatory EAD	Exposure after deduction of collateral	Risk assets
Standard approach for counter-party risk (SA-CCR) (for derivatives)	1,222	4,680	1.4	8,264	3,356
Comprehensive approach to credit risk mitigation (for securities financing transactions)				283	266
Total	**1,222**	**4,680**		**8,547**	**3,622**

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

	As of December 31, 2024				
	Subrogation cost	Future potential exposure	Alpha used to calculate regulatory EAD	Exposure after deduction of collateral	Risk assets
Standard approach for counter-party risk (SA-CCR) (for derivatives)	945	5,316	1.4	8,766	3,876
Comprehensive approach to credit risk mitigation (for securities financing transactions)				294	200
Total	**945**	**5,316**		**9,059**	**4,076**

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

	As of September 30, 2025		As of September 30, 2024		As of December 31, 2024	
	Exposure after deduction of collateral	Risk assets	Exposure after deduction of collateral	Risk assets	Exposure after deduction of collateral	Risk assets
Total – portfolios for which CVA is calculated using the standard approach	8,264	1,564	8,719	1,478	8,766	1,421

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

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

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

	As of December 31, 2024				
Supervisory portfolio / risk weighting	**0%**	**20%**	**50%**	**100%**	**Total credit exposure**
Sovereigns	-	25	-	-	25
Public sector entities (PSE) other than central Government	-	-	30	-	30
Banks (including multilateral development banks)	-	3,033	201	-	3,234
Securities companies	-	-	4,680	-	4,680
Corporations	-	-	1	784	785
Supervisory retail portfolios	-	-	-	12	12
Other assets	-	-	-	-	-
Total	-	3,058	4,912	796	8,766

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

	As of September 30, 2025					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited		Fair value of collateral received	Fair value of collateral deposited
	Disconnected	Not disconnected	Disconnected	Not disconnected		
Cash – local currency	-	2070	0	173	7857	-
Cash – other currency	-	1,481	-	2,515	7	-
Domestic sovereign debt	-	466	-	-		-
Other sovereign debt	-	7	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	10	-	-	6	-
Shares	-	684	-	-	5,358	-
Other collateral	-	-	-	-	-	-
Total	-	4,717	-	2,687	13,229	-

	As of September 30, 2024					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited		Fair value of collateral received	Fair value of collateral deposited
	Disconnected	Not disconnected	Disconnected	Not disconnected		
Cash – local currency	-	1,109	-	98	4,492	-
Cash – other currency	-	1,242	-	906	7	-
Domestic sovereign debt	-	480	-	-	50	-
Other sovereign debt	-	3	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	287	-	-	1	-
Shares	-	878	-	-	2,166	-
Other collateral	-	-	-	-	-	-
Total	-	3,999	-	1,004	6,716	-

	As of December 31, 2024					
	Collateral used in derivatives transactions				Collateral used in securities financing transactions	
	Fair value of collateral received		Fair value of collateral deposited		Fair value of collateral received	Fair value of collateral deposited
	Disconnected	Not disconnected	Disconnected	Not disconnected		
Cash – local currency	-	2,031	-	34	5,486	-
Cash – other currency	-	1,586	-	576	4	-
Domestic sovereign debt	-	370	-	-	1	-
Other sovereign debt	-	4	-	-	-	-
Debt of Government agency	-	-	-	-	-	-
Corporate bonds	-	17	-	-	24	-
Shares	-	714	-	-	4,006	-
Other collateral	-	-	-	-	-	-
Total	-	4,722	-	610	9,521	-

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

Market risk

Market risk – This is the risk of loss from on– and off-balance sheet positions, arising from change in fair value of financial instruments, due to change in market risk factors (interest rates, exchange rates, inflation, prices of equities and commodities). The Bank has no exposure to commodities and its exposure to equities is immaterial, such that its main exposure to market risk arises from the basis risk and the interest risk.

The basis risk - is the risk arising from the fact that the Bank's assets and liabilities are denominated in different currencies or linked to different linkage basis, such that changes in exchange rates or in the consumer price index affect the Bank's profits.

Interest risk – a risk arising primarily from fluctuations in interest rates, fluctuations of various curves used by the Bank in its business operations and the exercise of options for early repayment by borrowers and depositors, which will result in changes to the structure of the Bank's assets and liabilities. These changes affect the Bank's profits (change in revenues) and the value of its assets (change in fair value).

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

For more information regarding market risk, see the Market and interest risk chapter in the Report of the Board of Directors and Management for the third quarter of 2025 and in the 2024 Risks Report, posted on the Bank's website.

Market risk using the standard approach

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

	Risk assets as of:		
	September 30, 2025	**September 30, 2024**	**December 31, 2024**
Direct products			
Interest rate risk (general and specific)	1,995	1,461	1,492
Position risk in shares (general and specific)	52	38	44
Foreign currency risk	95	193	122
Commodities risk	-	-	-
Options	-	-	-
Delta Plus approach	29	63	17
Securitization	-	-	-
Total	**2,171**	**1,755**	**1,675**

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

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

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

	As of September 30, 2025				
			Foreign currency		
	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total
Financial assets[2]	350,028	90,245	58,312	10,881	509,466
Other amounts receivable with respect to financial derivatives, complex and off-balance sheet financial instruments	202,123	3,046	186,298	28,198	419,665
Financial liabilities[2]	(335,985)	(64,643)	(68,867)	(10,114)	(479,609)
Other amounts payable with respect to financial derivatives, complex and off-balance sheet financial instruments	(212,087)	(2,998)	(175,720)	(29,075)	(419,880)
Net fair value of financial instruments	4,079	25,650	23	(110)	29,642
Effect of liabilities with respect to employee rights	(739)	(1,250)	(5)	-	(1,994)
Effect of attribution of on-call deposits to terms	4,223	-	297	202	4,722
Adjusted net fair value	7,563	24,400	315	92	32,370
Of which: Banking portfolio	8,098	16,880	(8,535)	1,797	18,240
Of which: Effect of early repayment of residential mortgages	284	(857)	(4)	(30)	(607)
Of which: Impact of early receptions of public deposits	(130)	15	-	-	(115)

	As of December 31, 2024				
Financial assets[2]	324,929	90,837	44,583	9,670	470,019
Other amounts receivable with respect to financial derivatives, complex and off-balance sheet financial instruments	281,379	5,771	264,576	27,369	579,095
Financial liabilities[2]	(307,012)	(58,127)	(64,434)	(13,554)	(443,127)
Other amounts payable with respect to financial derivatives, complex and off-balance sheet financial instruments	(303,067)	(7,256)	(244,360)	(24,009)	(578,692)
Net fair value of financial instruments	(3,771)	31,225	365	(524)	27,295
Effect of liabilities with respect to employee rights	(747)	(1,203)	(5)	-	(1,955)
Effect of attribution of on-call deposits to terms	4,674	-	357	237	5,268
Adjusted net fair value	156	30,022	717	(287)	30,608
Of which: Banking portfolio	(2,574)	24,535	1,733	(2,819)	20,875
Of which: Effect of early repayment of residential mortgages	728	(963)	(10)	(30)	(275)
Of which: Impact of early receptions of public deposits	(52)	75	-	-	23

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

	As of September 30, 2025					As of December 31, 2024				
			Foreign currency					Foreign currency		
	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total	NIS – Non-linked	NIS – CPI-linked	USD	Other	Total
Concurrent changes										
Concurrent 1% increase	(1,218)	(606)	89	(21)	(1,756)	(1,274)	(720)	(134)	5	(2,123)
Of which: Banking portfolio	(1,220)	(525)	85	(19)	(1,679)	(1,267)	(705)	(119)	4	(2,087)
Of which: Effect of attribution of on-call deposits to terms	982	-	133	91	1,206	1,459	-	188	125	1,772
Of which: Effect of early repayment of residential mortgages	2,000	999	1	2	3,002	1,684	1,053	1	3	2,741
Of which: Impact of early receptions of public deposits	(137)	(116)	-	-	(253)	(107)	(76)	-	-	(183)
Concurrent 2% increase	(2,201)	(1,158)	151	(44)	(3,252)	(2,381)	(1,470)	(72)	24	(3,899)
Of which: Banking portfolio	(2,210)	(1,068)	176	(42)	(3,144)	(2,369)	(1,442)	(44)	23	(3,832)
Concurrent 1% decrease	895	379	(9)	27	1,292	944	595	(177)	(4)	1,358
Of which: Banking portfolio	891	440	(77)	27	1,281	934	580	(193)	(2)	1,319
Of which: Effect of attribution of on-call deposits to terms	(1,045)	-	(142)	(96)	(1,283)	(1,563)	-	(200)	(133)	(1,896)
Of which: Effect of early repayment of residential mortgages	(2,471)	(1,220)	-	(4)	(3,695)	(2,072)	(1,285)	(1)	(3)	(3,361)
Of which: Impact of early receptions of public deposits	143	126	-	-	269	112	85	-	-	197
Concurrent 2% decrease	2,292	1,304	(41)	68	3,623	2,512	1,737	(195)	(17)	4,037
Of which: Banking portfolio	2,275	1,354	(144)	66	3,551	2,488	1,703	(229)	(16)	3,946
Non-concurrent changes										
Steeper[3]	(1,698)	(149)	(104)	(13)	(1,964)	(916)	(20)	69	(13)	(880)
Of which: Banking portfolio	(1,669)	(151)	(111)	(15)	(1,946)	(914)	(20)	63	(13)	(884)
Shallower[4]	667	(104)	171	14	748	566	(162)	12	3	419
Of which: Banking portfolio	633	(100)	184	15	732	563	(160)	20	3	426
Short-term interest increase	(852)	(405)	286	18	(953)	7	(276)	179	(6)	(96)
Of which: Banking portfolio	(891)	(398)	308	20	(961)	1	(271)	186	(6)	(90)
Short-term interest decrease	938	482	(308)	(18)	1,094	14	341	(183)	7	179
Of which: Banking portfolio	977	474	(325)	(20)	1,106	20	336	(191)	6	171
Maximum[5]	(1,698)	(606)	(308)	(21)	(1,964)	(1,274)	(720)	(183)	(13)	(2,123)
Of which: Banking portfolio	(1,669)	(525)	(325)	(19)	(1,946)	(1,267)	(705)	(191)	(13)	(2,087)

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

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

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

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

(5) Maximum - does not include 2% scenarios.

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 effective average 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.

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

	As of September 30, 2025			As of December 31, 2024		
	Interest revenues	Non-interest financing revenues[3]	Total	Interest revenues	Non-interest financing revenues[3]	Total
Concurrent changes[2]						
Concurrent 1% increase	(119)	192	73	(39)	297	258
Of which: Banking portfolio	(123)	235	112	(40)	315	275
Concurrent 1% decrease	(151)	(261)	(412)	(444)	(142)	(586)
Of which: Banking portfolio	(147)	(251)	(398)	(442)	(164)	(606)
Maximum	(151)	(261)	(412)	(444)	297	(586)
Of which: Banking portfolio	(147)	(251)	(398)	(442)	315	(606)

(1) For a one-year term.
(2) Changes to risk-free interest.
(3) Includes the effect of fair value, gain (loss) from transactions in bonds and the effect of interest accrual for transactions in derivatives.
(4) The interest rate increase/decrease scenario includes an assumption that funds are diverted from current accounts to deposits and/or from short-term deposits to current accounts. The decline in the Bank portfolio's sensitivity to decline in interest rates in this year arises both from operating activities and from revision to the behavioral assumptions.
(5) Reclassified.

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

	As of September 30, 2025	As of December 31, 2024
	NIS in millions	
Concurrent 1% increase	(29)	(43)
Concurrent 1% decrease	(2)	17

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

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

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

Additional information about interest risk

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

Reported sums in millions of NIS

	As of September 30, 2025					
	On Call to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 10 years
Financial assets[1]	242,721	29,870	66,139	90,355	35,031	30,713
Other amounts receivable[2]	97,038	89,986	127,053	47,997	36,854	17,241
Financial liabilities	223,897	33,718	109,202	45,035	39,634	22,312
Other amounts payable[2]	96,201	89,949	128,230	48,308	37,162	17,585
Exposure to interest rate fluctuations	19,661	(3,811)	(44,240)	45,009	(4,911)	8,057
Additional details on exposure to changes in interest rates						
A. By nature of activity:						
Exposure in bank portfolio	17,062	(4,275)	(54,544)	44,892	(4,998)	7,677
Exposure in trading portfolio	2,599	464	10,304	117	87	380
B. By linkage basis:						
Israeli currency – non-linked	22,766	3,748	(58,894)	27,095	(395)	5,276
Israeli currency – linked to the CPI	(8,495)	2,788	16,615	14,786	(5,561)	1,003
Foreign currency [4]	5,390	(10,347)	(1,961)	3,128	1,045	1,778
C. Effect on exposure to interest rate fluctuations [6]						
Effect of liabilities with respect to employee rights	(7)	(8)	(42)	(246)	(207)	(451)
Effect of attribution of on-call deposits to terms	40,990	(1,800)	(5,009)	(9,129)	(7,429)	(12,528)
Effect of early repayment of residential mortgages	1,009	1,923	5,592	7,448	4,063	(191)
Effect of early repayments of public deposits[7]	(1,560)	(3,234)	(699)	(506)	5,002	677

(1) Excludes balance sheet balances of financial derivatives, fair value of off-balance sheet financial instruments and fair value of complex financial instruments. After effect of attribution of on-call deposits to terms.

(2) Amounts receivable and payable with respect to financial derivatives, complex and off-balance sheet financial instruments, after effect of employee rights liabilities.

(3) Weighted average by fair value of effective average 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 with exit points includes the effect of early withdrawal assumptions and amounts to NIS 63,268 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, 2024.
- 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.
- Effective average 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, 2024		
Over 10 years to 20 years	Over 20 years	Without maturity	Total fair value	Internal rate of return	Effective average duration[3]	Total fair value	Internal rate of return	Effective average duration[3]
				In %	in years		In %	in years
12,353	1,589	695	509,466	4.58	1.48	470,019	4.57	1.53
3,008	488	-	419,665		0.72	579,095		0.79
1,117	(29)	1	474,887	2.89	1.00	437,859	3.14	0.97
3,561	878	-	421,874		0.95	580,647		0.92
10,683	1,228	694	32,370			30,608		
10,587	1,145	694	18,240		0.18	20,875		0.20
96	83	-	14,130		2.48	9,733		2.10
6,677	610	680	7,563		[5]0.23	156		[5]0.23
3,105	159	-	24,400		[5]0.81	30,022		[5]0.88
901	459	14	407		[5](0.06)	430		[5]-
(628)	(405)	-	(1,994)	2.56	11.59	(1,955)	2.61	11.64
(373)	-	-	4,722	2.93	1.33	5,268	2.74	1.32
(14,444)	(6,007)	-	(607)	0.01	(1.33)	(275)	0.07	(1.35)
205	-	-	(115)	0.03	(0.21)	23	(0.28)	0.12

Liquidity risk

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

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. The Bank closely monitors the potential changes in the situation. In practice, no events nor indications were observed which would indicate realization of a liquidity event. In the third quarter of 2025, the Bank maintained high liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets.

The average liquidity coverage ratio was 131% consolidated, and the standalone liquidity coverage ratio amounted to 132%. The net stable funding ratio (on consolidated basis) as of September 30, 2025 was 112% and there were no deviations from the risk appetite limitations. The Bank maintains high surplus foreign currency, and closely manages its liquidity based on specified guidelines, including ongoing review of Bank compliance with systemic emergency scenarios.

For more information about liquidity risk, see chapter "Liquidity risk" in the 2024 Risks Report, available on the Bank website.

Liquidity coverage ratio

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

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

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

	For the three months ended September 30, 2025	
	Total unweighted value[(2)] (Average)	Total weighted value[(3)] (Average)
Total high quality liquid assets		
Total high quality liquid assets (HQLA)		**93,839**
Outgoing cash flows		
Retail deposits from individuals and from small businesses, of which:	185,084	11,138
Stable deposits	44,808	2,240
Less stable deposits	59,562	6,476
Deposits for term longer than 30 days	80,713	2,421
Non-secured wholesale financing, of which:	95,434	66,109
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	3,126	781
Deposits other than for operational needs (all counter parties)	92,147	65,167
Non-secured debts	161	161
Secured wholesale financing	-	131
Other liquidity requirements, of which:	187,994	72,396
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	63,402	63,402
Credit lines and liquidity	76,420	7,143
Other contractual financing obligations	-	-
Other contingent financing obligations	48,172	1,851
Total outgoing cash flows	**468,512**	**149,773**
Incoming cash flows		
Secured loans	5,154	144
Incoming cash flows from exposures repaid regularly	23,015	16,900
Other incoming cash flows	64,127	61,363
Total incoming cash flows	**92,296**	**78,408**
		Total adjusted value[(4)]
Total high quality liquid assets (HQLA)		**93,839**
Total outgoing cash flows, net		**71,365**
Liquidity coverage ratio (%)		**131**

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

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

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

	Total adjusted value[4]
Total high quality liquid assets (HQLA)	**87,202**
Total outgoing cash flows, net	**68,489**
Liquidity coverage ratio (%)	**127**

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

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

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

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

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

	Three months ended December 31, 2024	
	Total unweighted value[2] (Average)	Total weighted value[3] (Average)
Total high quality liquid assets		
Total high quality liquid assets (HQLA)		**90,905**
Outgoing cash flows		
Retail deposits from individuals and from small businesses, of which:	184,185	11,353
Stable deposits	45,084	2,254
Less stable deposits	62,500	6,801
Deposits for term longer than 30 days	76,600	2,298
Non-secured wholesale financing, of which:	90,900	59,549
Deposits for operational needs (all counter parties) and deposits in chains of co-operative banking corporations	3,060	765
Deposits other than for operational needs (all counter parties)	87,113	58,058
Non-secured debts	727	727
Secured wholesale financing	-	258
Other liquidity requirements, of which:	192,522	76,877
Outgoing cash flows with respect to exposure to derivatives and other collateral requirements	67,890	67,890
Credit lines and liquidity	75,457	7,239
Other contractual financing obligations	-	-
Other contingent financing obligations	49,175	1,748
Total outgoing cash flows	**467,606**	**148,038**
Incoming cash flows		
Secured loans	4,615	267
Incoming cash flows from exposures repaid regularly	20,596	14,432
Other incoming cash flows	68,654	66,026
Total incoming cash flows	**93,865**	**80,725**
		Total adjusted value[4]
Total high quality liquid assets (HQLA)		**90,905**
Total outgoing cash flows, net		**67,313**
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 fourth quarter of 2024 is 74.

(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 different days of the month, due to current activity of customers and interchangeability between NIS and foreign currency, primarily due to activity involving NIS / foreign currency derivatives.

Composition of high quality liquid assets (HQLA)

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

	September 30		Average for the third quarter	
	2025	**2024**	**2025**	**2024**
Level 1 assets	89,273	89,825	93,739	87,125
Level 2a assets	64	48	65	46
Level 2b assets	36	31	35	31
Total HQLA	**89,373**	**89,904**	**93,839**	**87,202**

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

Composition of pledged and un-pledged available assets

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

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

	As of December 31, 2024		
	Total balance on balance sheet	**Of which: Pledged**	**Of which: Non-pledged**
Cash and deposits with central banks	81,143	1,894	79,249
Bonds of the Government of Israel	23,245	598	22,647
Bonds of others in Israel	2,055	-	2,055
Bonds of overseas governments	1,961	389	1,572
Bonds of others overseas	332	-	332
Loans to the public, net	357,981	-	357,981
Total	466,717	2,882	463,835

Developments in liquidity coverage ratio

In the third quarter of 2025, the Bank maintained appropriate liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. The average liquidity coverage ratio (on consolidated basis) for the third quarter of 2025 was 131%. During the quarter, there were no recorded deviations from ratio restrictions.

Net stable funding ratio

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

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

In accordance with the directive's requirements, the net available stable funding ratio, which is defined as the sum of the "available stable funding" divided by the sum of the "required stable funding", should be 100% or higher on current basis.

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

Below is information about the net stable funding ratio[(1)] (NIS in millions) as of September 30, 2025:

	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:	37,923	44	22	6,307	44,241
Supervisory capital	37,923			1,845	39,768
Other capital instruments		44	22	4,461	4,472
Retail deposits from individuals and from small businesses		144,280	21,652	4,597	156,509
Stable deposits		48,476	2,967	975	49,846
Less stable deposits		95,804	18,685	3,623	106,663
Wholesale financing		192,923	40,416	55,072	112,082
Deposits for operational needs		3,604			1,802
Other wholesale financing		189,319	40,416	55,072	110,280
Liabilities with matching assets which are inter-dependent					
Other liabilities:	316	1,806	2,385	12,840	14,033
Liabilities with respect to derivative instruments for net stable funding ratio				6,561	
All other liabilities and capital not included in the above categories	316	1,806	2,385	12,840	14,033
Total available stable funding items (ASF)					326,864
Required stable funding items (RSF)					
Total high-quality liquid assets by net stable funding ratio (HQLA)					1,752
Deposits held at other financial institutions for operational purposes					
Loans and securities in good standing:		67,541	40,544	278,152	273,809
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		7,555	10,287	6,228	12,505

Available stable funding items (ASF)	A Non-weighted value by term to maturity No redemption date(1)	B Up to 6 months	E 6-12 months	D 12 months or longer	S Weighted value
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		47,703	17,856	55,505	79,309
Of which: With risk weighting of 35% or lower, pursuant to Proper Conduct of Banking Business Directive 203		1		1	2
Residential mortgages secured by mortgage in good standing, of which:		12,283	12,399	216,039	181,671
Of which: With risk weighting of 35% or lower, pursuant to Proper Conduct of Banking Business Directive 203		4,011	4,090	71,517	50,536
Securities not in default which do not qualify as high-quality liquid assets, including shares traded on the stock exchange		1	1	380	324
Assets with corresponding liabilities which are inter-dependent					
Other assets:	3,360	3,093	2,300	1,476	11,984
Physically traded commodities, including gold					
Assets deposited as primary collateral for derivative contracts and provided to default funds of central counter parties (CCPs)				1,751	1,751
Assets with respect to derivative instruments for net stable funding ratio				6,346	
Liabilities with respect to derivative instruments for net stable funding ratio, before deduction of variable collateral deposited				4	4
All other asset categories not included in the above categories	3,360	3,093	2,300	1,476	10,229
Off-balance sheet items				122,531	5,486
Total required stable funding (RSF)					293,031
Net stable funding ratio (%)					111.55

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

Key factors that impact results of the net stable funding ratio

Net stable funding ratio on consolidated basis as of September 30, 2025 was 112%, and no deviations were recorded from the risk appetite limits.

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

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.

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 the Bank's reputation, indicating that the Bank has maintained a leading image in the service, fairness and perception as a different bank axes. Among Bank customers, the high image reception levels remain. Satisfaction from the service experience offered by the Bank remains high and stable and managed systematically using a variety of tools.

Glossary and index of terms included on the risks report

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

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

ABC	**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".
	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.
	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.
S	**Standard approach** – An approach used to calculate the required capital with respect to credit risk, market risk or operational risk. The capital allocation is calculated by a formula based on supervisory assessment components, as specified by the Supervisor of Banks.
	Stress tests – Term covering multiple methods designed to assess the financial standing of a banking corporation under a stress scenario.
T	The Bank shall conduct an ICAAP, as defined above. The Supevisor of Banks shall conduct a process to assess the bank's capital adequacy assessment process, and its ability to monitor and comply with regulatory capital ratios. The bank is expected to operate above the minimum capital ratios which were set out.

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.
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.
R	**Recorded debt balance** – The debt balance, including recognized accrued interest, un-amortized premium or discount, net deferred commissions or net deferred costs charged to the debt balance and not yet amortized, net of any debt amount subject to accounting write-off. Financial instrument – A contract that creates a financial asset for one entity and a financial liability or capital instrument for another entity.

Terms with regard to regulatory directives

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

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