CONDENSED CONSOLIDATED FINANCIAL REPORTS
AS OF 30.09.2022

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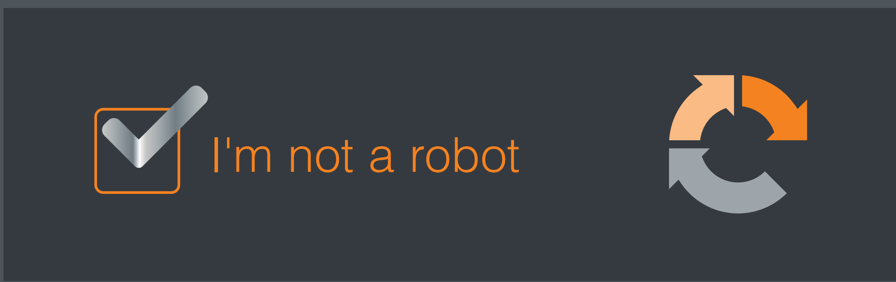
מזרחי טפחות
MIZRAHI TEFAHOT



Advanced Banking Between People

This report does not constitute a Periodic Report pursuant to the Securities Regulations (Periodic and Immediate Reports), 1970. The Israel Securities Authority's MAGNA website also includes the following reports: The periodic report and the financial statements in XBRL format, the actuarial assessment regarding employee rights at the Bank, a detailed risk management report and additional supervisory information regarding supervisory capital instruments issued by the Bank. In conformity with the Supervisor of Banks' directives, these financial statements, including XBRL format, the Bank's "solo" financial statements, a detailed risk management report and additional supervisory information, as stated, are also available on the Bank website at www.mizrahi-tefahot.co.il/en ▶ financial reports. In accordance with the Equal Rights for Persons with Disabilities (Service Accessibility Adjustments) Regulations, 2013, the website also includes accessible reports.

Bank Mizrahi Tefahot

Condensed quarterly financial statements
As of September 30, 2022

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

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Bank Mizrahi Tefahot

Report of the Board of Directors and Management

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List of tables included in the condensed report of the Board of Directors and management

Condensed Report of the Board of Directors and Management on Financial Statements as of September 30, 2022

Introduction

The Board of Directors of Mizrahi Tefahot Bank Ltd., at its meeting held on November 28, 2022, resolved to approve and publish the Report of the Board of Directors and Management, the Risks Report and Other Supervisory Disclosures and the condensed consolidated financial statements of Mizrahi Tefahot Bank Ltd. and its subsidiaries as of September 30, 2022.

The Report of the Board of Directors and Management, the Risks Report and Other Supervisory Disclosures of the Bank are prepared in conformity with directives and guidelines of the Supervisor of Banks.

The condensed financial statements are prepared in conformity with generally accepted accounting policies in Israel (Israeli GAAP) and in accordance with Public Reporting Directives of the Supervisor of Banks.

For most topics, the Supervisor of Banks' directives are based on generally acceptable accounting practices by banks in the United States (see also Note 1 to the financial statements as of December 31, 2021 and Note 1 to these condensed financial statements).

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

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

This additional information of which:

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

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

Forward-looking information

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

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

Overview, objectives and strategy

This chapter describes major developments in the Bank and its operating segments in the first nine months of 2022, including developments in performance, risk to which the Bank is exposed as well as targets and strategy. This chapter should be read, as needed, in conjunction with the chapter "Overview, targets and strategy" in the 2021 audited annual financial statements.

Condensed financial information and key performance indicators for the Bank Group

	2022			2021			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
	NIS in millions						
Statement of profit and loss – key items							
Interest revenues, net	2,691	2,453	2,144	1,958	2,001	2,035	1,691
Non-interest financing revenues	263	176	117	83	63	66	189
Commissions and other revenues	579	574	952	596	551	544	543
Total revenues	**3,533**	**3,203**	**3,213**	**2,637**	**2,615**	**2,645**	**2,423**
Expenses (income) with respect to credit losses	155	107	79	(15)	(36)	(240)	13
Operating and other expenses	1,529	1,442	1,388	1,555	1,339	1,333	1,341
Of which: Payroll and associated expenses	1,002	924	909	960	863	843	870
Pre-tax profit	1,849	1,654	1,746	1,097	1,312	1,552	1,069
Provision for taxes on profit	635	572	569	390	442	540	358
Net profit(1)	**1,178**	**1,053**	**1,154**	**679**	**845**	**988**	**676**

	Nine months		All of
	2022	2021	2021
	NIS in millions		
Statement of profit and loss – key items			
Interest revenues, net	7,288	5,727	7,685
Non-interest financing revenues	556	318	401
Commissions and other revenues	2,105	1,638	2,234
Total revenues	**9,949**	**7,683**	**10,320**
Expenses (income) with respect to credit losses	341	(263)	(278)
Operating and other expenses	4,359	4,013	5,568
Of which: Payroll and associated expenses	2,835	2,576	3,536
Pre-tax profit	5,249	3,933	5,030
Provision for taxes on profit	1,776	1,340	1,730
Net profit(1)	**3,385**	**2,509**	**3,188**

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

Net profit for the Group in the first nine months of 2022 amounted to NIS 3,385 million, compared to NIS 2,509 million in the corresponding period last year – an increase by 34.9%. This reflects a 20.6% annualized return on equity, compared to 16.8% in the corresponding period last year and 15.8% for all of 2021. Excluding the effect of net capital gain from sale of assets, the net profit return on equity for the first nine months of 2022 was 18.9%.

Group net profit in the third quarter of 2022 amounted to NIS 1,178 million, compared to NIS 845 million in the corresponding period last year – an increase by 39.4%. This reflects a 20.8% annualized return on equity, compared to 16.2% in the corresponding period last year.

The following major factors affected Group profit in the first nine months of 2022 over the corresponding period last year:

- Financing revenues in the first nine months of 2022 increased by 30% over the corresponding period last year, primarily due to increase by 17.1% in loans to the public compared to September 30, 2021, to impact of the increase in CPI by 4.4% in the first nine months of this year, compared to increase by 2.2% in the corresponding period last year, and to increase in the Bank of Israel interest rate (as from April 2022) and in the US Federal Reserve interest rate (as from March 2022).

  For more information see "Analysis of development of financing revenues from current operations" below.
- Commission revenues in the first nine months of this year increased by 9.0% over the corresponding period last year, due to increased business volume.
- Other revenues in the first nine months of 2022 include capital gain from sale of assets (recorded in the first quarter of 2022) amounting to NIS 371 million. For more information see chapter "Significant Events in the Bank Group's Business" below.
- Expenses with respect to credit losses in the first nine months of 2022 amounted to NIS 341 million, primarily due to increase in the group-based provision due to growth of the Bank's commercial loan and residential mortgage portfolio, with the group-based provision reflecting the higher market interest rate. In the corresponding period last year, the Bank recognized revenues with respect to decrease in provision for credit losses amounting to NIS 263 million, due to decrease in the group-based provision, against the background of improved macro-economic data and decrease in loan amount subject to repayment deferral due to the Corona Virus crisis.
- Total operating and other expenses increased by 8.6%, primarily due to adjustment of variable remuneration items under Payroll Expenses, due to the Bank's financial results.

  See below for explanation of changes in each operating expense component.

	As of						
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
							NIS in millions
Balance sheet – key items							
Total assets	429,767	416,969	394,045	392,271	379,563	374,370	370,410
Loans to the public, net	304,104	298,233	282,917	271,428	259,742	254,236	249,539
Cash and deposits with banks	95,596	81,330	84,666	95,267	96,365	94,337	91,392
Securities	14,379	22,384	16,967	15,033	14,749	17,539	19,529
Buildings and equipment	1,410	1,421	1,400	1,734	1,667	1,678	1,702
Deposits from the public	345,339	327,884	312,653	307,924	303,921	294,391	293,766
Bonds and subordinated notes	31,352	35,173	36,045	38,046	32,664	35,594	33,335
Deposits from banks	7,725	8,515	6,850	6,992	6,801	5,945	4,293
Shareholders' equity(1)	22,989	22,166	21,199	20,770	20,831	20,444	19,422

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

- Total assets as of September 30, 2022 amounted to NIS 429.8 billion, an increase by NIS 50.2 billion, or 13.2%, compared to September 30, 2021.
- Loans to the public, net as of September 30, 2022 amounted to NIS 304.1 billion, an increase by NIS 44.4 billion, or 17.1%, compared to September 30, 2021.
- Deposits from the public as of September 30, 2022 amounted to NIS 345.3 billion, an increase by NIS 41.4 billion, or 13.6%, compared to September 30, 2021.
- Shareholders' equity as of September 30, 2022 amounted to NIS 23.0 billion, an increase by NIS 2.2 billion, or 10.4%, compared to September 30, 2021. See below also the chapter "Capital adequacy".

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

Key financial ratios (in percent)

	2022			2021			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Key performance benchmarks							
Net profit return on equity(1)(2)	20.8	19.4	(8)21.9	12.9	16.2	19.8	14.1
Net profit return on risk assets(1)(2)(3)	1.96	1.82	2.07	1.26	1.62	1.92	1.34
Return on average assets(2)	1.11	1.04	1.17	0.70	0.90	1.06	0.74
Deposits from the public to loans to the public, net	113.6	109.9	110.5	113.4	117.0	115.8	117.7
Ratio of Tier I equity to risk components	9.92	10.00	10.01	10.04	10.44	10.53	10.15
Leverage ratio(4)	5.26	5.23	5.31	5.18	5.37	5.36	5.16
(Quarterly) liquidity coverage ratio(5)	119	120	120	125	126	132	133
Net stable funding ratio	116	114	116	119	-	-	-
Ratio of revenues to average assets(2)	3.34	3.16	3.27	2.73	2.77	2.84	2.65
Cost-income ratio – operating expenses to total revenues(6) (Cost Income Ratio)	43.3	45.0	(8)43.2	59.0	51.2	50.4	55.3
Basic net earnings per share (in NIS)	4.59	4.11	4.50	2.65	3.30	3.87	2.65
Key credit quality benchmarks							
Ratio of balance of provision for credit losses to total loans to the public	0.91	0.88	0.89	0.77	0.83	0.86	0.96
Balance of provision for credit losses, including estimated credit losses in balance of loans to the public at Union Bank, as percentage of loans to the public	0.94	0.91	0.94	0.85	0.91	0.95	1.07
Ratio of non-accruing debts or debts in arrears 90 days or longer to loans to the public	0.99	1.20	1.13	0.98	1.06	1.07	1.23
Expenses with respect to credit losses to loans to the public, net for the period(2)	0.20	0.14	0.11	(0.02)	(0.06)	(0.38)	0.02
Net accounting write-offs as percentage of average loans to the public(2)	0.05	0.06	0.03	0.09	0.03	0.04	0.06
Other information							
Share price (in NIS) at end of quarter	125.50	115.50	125.20	120.00	109.00	100.40	87.14
Dividends per share (in Agorot)(7)	123	-	106	293	189	-	-
Ratio of net interest revenues to average assets(2)	2.54	2.42	2.18	2.03	2.12	2.19	1.85
Ratio of commissions to average assets(2)	0.49	0.50	0.53	0.55	0.50	0.50	0.52

	Nine months		All of
	2022	2021	2021
Key performance benchmarks			
Net profit return on equity(1)(2)	(8)20.6	16.8	15.8
Net profit return on risk assets(1)(2)(3)	1.95	1.63	1.53
Return on average assets(2)	1.11	0.90	0.85
Ratio of revenues to average assets(2)	3.25	2.76	2.75
Cost-income ratio – operating expenses to total revenues(6) (Cost Income Ratio)	(8)43.8	52.2	54.0
Basic net earnings per share (in NIS)	13.26	9.82	12.47
Key credit quality benchmarks			
Expenses (income) with respect to credit losses for the period to loans to the public, net(2)	0.15	(0.13)	(0.10)
Net accounting write-offs as percentage of average loans to the public(2)	0.05	0.04	0.05
Other information			
Dividends per share (in Agorot)(7)	229	189	482
Ratio of net interest revenues to average assets(2)	2.38	2.06	2.05
Ratio of commissions to average assets(2)	0.51	0.51	0.52

Financial ratios indicate as follows:

- Net profit return on equity in the first nine months of the year was 20.6%, due to increased business volume, higher Bank of Israel interest rate and higher Consumer Price Index.
- The ratio of Tier I capital to risk components increased to 9.92%. The minimum ratio required of the Bank is 9.61%.
- The cost-income ratio for the first nine months of 2022 was 43.8%.

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".

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

(2) Annualized. In conformity with the Bank of Israel circular, the calculation method for presenting return for interim periods has been revised. Comparative figures were revised accordingly. Net profit return on equity in 2021 using the old method was: For the first nine months: 17.1%; For the first quarter: 14.9%; for the second quarter: 21.3%; for the third quarter: 17.3%; for the fourth quarter: 13.5%.

(3) Net profit to total average risk assets.

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

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

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

(7) The dividends per share is calculated based on the amount of the dividends actually distributed in the reported period.

(8) Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first nine months and in the first quarter of 2022 is 18.9% and 16.6%, and the cost-income ratio is 45.5% and 48.8%, respectively.

Key risks

As part of the Bank's risk mapping process, the list of major risks was specified as follows: Credit risk (and credit concentration), market risk, interest risk (and, in particular, interest risk in the bank portfolio), liquidity risk, operational risk, including information security and cyber risk, IT risk and legal risk, compliance and regulatory risk, cross-border and AML risk, reputational risk and strategic-business risk. The Bank regularly reviews the risks mapping to ensure that it encompasses all business operations at the Bank, market conditions and regulatory requirements.
For more information see chapter "Key risks" of the 2021 Report by the Board of Directors and Management.
Information about developments of risks, including impact of the Corona Virus crisis, is presented in the chapter "Risks overview" below and in the Risks Report on the Bank website.
See below for updates on estimated potential impact of various risk factors on the Bank Group, in chapter "Risks overview".

Business goals and strategy

Strategic plan

For more information about the Bank's business goals and strategy for 2021-2025, see chapter "Business goals and strategy" of the 2021 Report of the Board of Directors and Management.

Developments in capital structure

Investments in Bank capital and transactions in Bank shares

For more information about share issuance as part of the employee stock option plan, see report of changes to shareholders' equity on the financial statements.

Raising of capital sources

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

Developments in financing sources

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

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

Deposits

The Bank distinguishes between different source types by term and by customer type. The Bank reviews the degree of depositor concentration, and in this regard the Board of Directors and management have set limits and guidelines for concentration risk with regard to a single depositor, liquid means with regard to large / institutional depositors and source structure. Quantitative and qualitative indicators to be regularly monitored, which estimate change in concentration risk –have been specified as part of liquidity risk management.
Deposits from the public for the Group as of September 30, 2022 amounted to NIS 345.3 billion, compared to NIS 307.9 billion at end of 2021, an increase by 12.2%. Deposits from the public in the NIS-denominated, non-CPI linked segment increased in 2022 by 11.7%; deposits in the CPI-linked segment increased by 7.8%; and deposits denominated in or linked to foreign currency increased by 16.0%. For more information see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below.

Issuance of obligatory notes, bonds and complex capital notes

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

On August 1, 2022, Tefahot Issuance published a shelf prospectus for issuance of bonds.

In addition to operations of Tefahot Issuance, the Bank itself has a shelf prospectus issued December 3, 2019 (dated December 4, 2019). On November 29, 2021, further to the Bank's request, ISA resolved to extend the deadline for offering securities pursuant to the shelf prospectus by a further 12 months, to December 3, 2022.

As of September 30, 2022, total bonds and subordinated notes amounted to NIS 31.4 billion, compared to NIS 38.0 billion as of December 31, 2021.

Of these, contingent subordinated notes (Contingent Convertibles – CoCo) with loss-absorption provisions through principal write-off (compliant with Basel III qualification provisions and recognized by the supervisor of Banks as Tier II capital), as of September 30, 2022, amounted to NIS 6.2 billion, compared to NIS 6.1 billion as of December 31, 2021.

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

Issuance and redemption of funding sources

Further to approval by the Supervisor of Banks, the Bank conducted an early redemption of subordinated note (Series A) in early January 2022, for NIS 2.1 billion. The subordinated note issued by the Bank did not qualify as supervisory capital pursuant to Basel III directives and was gradually written down.

On April 11, 2022, Tefahot Issuance issued two new bond series, Series 63 and 64, NIS-denominated and CPI-linked, amounting to NIS 1.2 billion each, for total consideration amounting to NIS 2.4 billion.

Further to the Supervisor of Banks' approval, Tefahot Issuance conducted early redemption of contingent subordinated notes (CoCo) (Series 56, recognized by the Supervisor of Banks as Tier II capital of the Bank) on September 10, 2022, for NIS 0.3 billion.

In August 2022, after approval has been received from the Bank of Israel, Bank Yahav conducted a complete early redemption of subordinated notes amounting to NIS 129 million.

Significant developments in management of business operations

Corona Virus pandemic

For more information about Bank operations under Corona Virus routine, see chapter "Trends, phenomenon and material changes" below.

Union Bank merger

On September 30, 2020, the Bank completed the proposed exchange tender for Union Bank shares and acquired 100% of the issued and paid-in share capital of Union Bank and of voting rights in Union Bank.

In 2022, the merger of Union Bank into the Bank continued. This includes continued onboarding of Union Bank customers at the Bank, closing of all but four (4) Union Bank branches (through the financial statements issue date) which are expected to be closed by end of this year, and transfer of other operations, in as much as possible, from Union Bank to Mizrahi Tefahot, including Union Bank's nostro operations.

The merger transaction is a material, large-scale and highly complex process which entails a wide range of risks. The merger process is carried out by several extensive joint work teams of Bank Mizrahi Tefahot and Union Bank, managed by a steering committee headed by the Bank President & CEO, with administrations established to carry out the merger plan and a designated Board committee established to supervise this process. The process of customer transition, which started in the second quarter of 2021, was gradual and the great majority of accounts have been transitioned to the Bank.

After the balance sheet date, the IT conversion of banking operations from Union Bank systems to Mizrahi Tefahot systems was successfully completed, including those accounts not previously transitioned, as described above, as part of the gradual transition process. This included conversion of the residential mortgage portfolio and consumer credit operations of Union Bank in October, and conversion of accounts of all other Union Bank customers to Mizrahi Tefahot in late November. The automated conversion processes were conducted with close on-going supervision both by the lines of defense of the Bank – the Risks Control Division and Internal Audit – and by external experts hired to provide control, with emphasis on ensuring integrity of conversion of all customer-related aspects.

The Bank continued to manage the merger project gradually and separately from current business, in order to allow for achievement of the work plan targets concurrently with the merger process.

On September 5, 2022, the Bank filed a proposed merger with the Registrar of Companies. For more information see immediate report dated September 5, 2022 (2022-01-113842). The statutory merger of Union Bank into Mizrahi Tefahot is expected on December 29, 2022.

On August 1, 2022, the process of merging Union Bank insurance agencies with and into Tefahot Insurance Agency Ltd. of Bank Mizrahi Tefahot Group was concluded.

For more information about agreements on sale of Union Bank investment in Hof HaTchelet Development Company and 24 rental properties, see chapter "Significant Events in the Bank Group's Business" below.

For more information about retirement program for Union Bank employees, see chapter "Significant developments in human resources and administration" below.

For more information about the agreement signed by Igud Systems Ltd. and Mizrahi-Tefahot Technology Division Ltd. and the Employee Union of Union Bank Systems Ltd., which governs onboarding of Igud employees, see chapter "Significant developments in human resources and administration" below.

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank Board of Directors. The assumptions may fail to materialize due to factors not entirely under the Bank's control.

Significant developments in human resources and administration

Developments in labor relations

Special collective bargaining agreement at Union Bank
On March 25, 2021, a special collective bargaining agreement was signed by Union Bank and two of its subsidiaries, by the New General Labor Union / the MAOF trade union / Bank and Credit Company Staff Division and by the Employee Union of Union Bank and the Manager and Authorized Signatory Association of Union Bank (hereinafter in this paragraph: "the Agreement"). The Agreement stipulates the retirement terms and conditions for regular employees of Union Bank, certain temporary employees who meet the criteria stated in the Agreement and certain other employees of the subsidiaries ("Retiring Employees") following the merger of Union Bank with and into the Bank ("Retirement Program"). Pursuant to the Agreement, Union Bank offered to relevant employees who would depart as a result of the merger, a Retirement Program with terms and conditions as set forth in the Agreement (hereinafter: "the Retirement Program"). The Retirement Program is to govern retirement of 340 of the relevant employees, as defined above. In conformity with the Retirement Program, the Retiring Employees may retire from Union Bank within a specified time period. The benefits offered, depending on employees' age and seniority, include a bridging pension or increased severance pay, retirement bonuses and other benefits applicable to certain employee groups. The retirement of these employees pursuant to the program shall be gradual through 2022, in conformity with the rules, periods and dates stipulated in the agreement. On June 21, 2021, an addendum to the agreement was signed, whereby the number of retiring employees would be increased to 480. Moreover, the periods and dates for employee retirement were updated – all through 2022. Union Bank assumes that the final number of retiring employees would be close to the aforementioned number. Upon signing the addendum to the agreement, Union Bank assessed the cost of the Retirement Program, beyond actuarial provisions for retirement at beneficial terms, at NIS 430 million (in net profit terms: NIS 283 million). In case of increase in the number of retiring employees by consent from the Bank, the cost of their retirement would increase accordingly. Note that this estimated cost of the Retirement Program was included in calculation of the Bank's capital adequacy ratio as of September 30, 2020, and as approved by the Supervisor of Banks, is directly attributed to the deferred credit balance recognized by the Bank following the acquisition of Union Bank, and is not recognized as an expense.

Other matters

Changes in Bank management

On October 11, 2021, the Bank's Board of Directors resolved to appoint Ms. Shevy Shemer as VP, Manager of the Retail Division, replacing Mr. Engel, and her start date in office is April 1, 2022. The Board of Directors of Union Bank appointed Mr. Haim Freilichman as CEO of Union Bank as from April 1, 2022. Mr. Freilichman has previously held this position.

Changes to the Bank Board of Directors

On July 4, 2022, the Supervisor of Banks indicated that they had no objection to appointment of Mr. Joseph Fellus as external Board member in conformity with the Corporate Law, 1999 and pursuant to Proper Conduct of Banking Business Directive 301 (for more information see immediate report issued by the Bank dated July 4, 2022, reference no. 2022-01-083230).

On August 9, 2022, a General Meeting of shareholders was held and resolved to re-appoint Mr. Joseph Fellus as External Board member pursuant to the Corporate Law, for a further term of three years (second term in office), as from August 20, 2022.

Meitav Dash Investments ceased to be an interested party

On January 31, 2022, the Bank reported that Meitav Dash Investments ceased to be an interested party in the Bank (for more information, see Immediate Report dated January 31, 2022, reference: 2022-01-013135).

Migdal Insurance and Finance Holdings

On August 1, 2022, the Bank reported that Migdal Insurance and Finance Holdings Ltd. became an interested party in the Bank (for more information see immediate report dated August 1, 2022, reference no. 2022-01-097450).

On August 18, 2022, the Bank reported that Migdal Insurance and Finance Holdings Ltd. ceased to an interested party in the Bank (for more information see immediate report dated August 18, 2022, reference no. 2022-01-105688).

On August 28, 2022, the Bank reported that Migdal Insurance and Finance Holdings Ltd. became an interested party in the Bank (for more information see immediate report dated August 28, 2022, reference no. 2022-01-109309).

On September 29, 2022, the Bank reported that Migdal Insurance and Finance Holdings Ltd. ceased to an interested party in the Bank (for more information see immediate report dated September 29, 2022, reference no. 2022-01-233665).

Legal Proceedings

For material changes in legal proceedings to which the Bank is party, see Note 10.B.(2-3) to the financial statements.

Explanation and analysis of results and business standing

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

Trends, phenomena and material changes

Significant Events in the Bank Group's Business

Effect of the Corona Virus outbreak

In 2020, the Bank applied measures in response to customer needs arising from the situation. Action taken by the Bank includes approval of deferral in current repayments for mortgage customers who needed this due to temporary hardship resulting from the crisis. The Bank also extended State-guaranteed loans from State-guaranteed foundations, as part of the economic assistance program announced by the State.

In 2022, in order to assist Bank customers, the Bank offered its customers a voluntary outline for deferral and re-scheduling of loan repayments for households, and also allowed them to decrease their monthly mortgage payments by 50%. The Bank also played a significant, active role in extending loans to businesses, as part of state-guaranteed funds, to small businesses to defer the loan principal repayment for 12 months.

Business units continue to keep in close regular contact with customers, in order to help the business sector face the challenges resulting from this crisis.

As of September 30, 2022, the balance of loans provided by the Bank from State-guaranteed funds amounted to NIS 3.7 billion. Against the loans extended, in conformity with the Bank of Israel outline, the Bank participated and obtained a special-purpose monetary loan from the Bank of Israel for a term of 3 years bearing interest at 0.1%, whose balance as of September 30, 2022 amounted to NIS 4.9 billion.

For more information about loans subject to repayment delay and loans extended from State-guaranteed funds, see chapter "Risks overview – Credit risk". For more information about Bank activities to assist customers, in view of the Corona Virus crisis, see chapter "Credit risk" below.

Sale of properties owned by the Bank Group

- On January 30, 2022, the Bank and Bank subsidiaries (hereinafter: "the sellers") signed agreements to sell their entire interest in 24 rental properties across Israel designated for different uses (hereinafter: "the properties"), office and commerce, including: Union Bank management building on Ahuzat Bayit Street, Tel Aviv-Yafo; office building on Lincoln Street, Tel Aviv-Yafo; Union Bank's main Tel Aviv branch on Ahad HaAm Street, Tel Aviv-Yafo; and multiple properties at Mitcham HaBursa in Ramat Gan. The consideration for sale of the interest in the properties amounts to NIS 531.6 million plus VAT (hereinafter: "the consideration" and "the transaction", respectively).
  On February 9, 2022, the Anti-Trust Supervisor granted their approval, thereby the suspensive condition in the transaction was fulfilled and the transaction closed.
  Most of the properties would be leased to the sellers for variable terms as from February 2022, in conformity with provisions of the leases signed by the sellers and the buyer.
  The Bank recognized net profit amounting to NIS 179 million in the first quarter of 2022 with respect to sale of these properties. For more information see Immediate Reports dated September 14, 2021, (reference: 2021-01-146793), report dated January 31, 2022, (reference 2022-01-013000), report dated February 9, 2022, (reference: 2022-01-017011).
- On January 26, 2022, an agreement was signed by Union Bank to sell their entire holding stake in Hof HaTchelet Development Company Ltd. for consideration amounting to NIS 190 million plus VAT. With respect to this sale, the Bank recognized net gain of NIS 100 million in the first quarter of 2022.

General environment and impact of external factors on the Bank Group

Major developments in the banking sector in Israel and overseas

For extensive information about trends in the banking sector in Israel and overseas in recent years, see chapter "Explanation and analysis of results and business standing" on the 2021 Report of the Board of Directors and Management.

Developments in the Israeli and global economy in 2022

Israeli economy

Real developments

The Israeli economy maintained strong activity in the third quarter of 2022. This was despite the slow-down in the global economy, which was impacted by the war in Ukraine, by lock-downs imposed in China due to renewed morbidity waves and by the higher inflation.

GDP in Israel in the first three quarters of 2022 grew at an annualized 5.5%, further to 8.6% strong growth in 2021 and following a 1.9% decline in 2020. GDP growth in the first three quarters was primarily affected by growth in private consumption, exports of goods and services and investment in fixed assets.

The Bank of Israel Composite Index increased in the January to September of this year at an annualized rate of 1.3%, following a decrease by 2.6% in 2021 and a decrease by 0.1% in 2020. The broad unemployment rate, consisting of the un-employed, those employed but away from work due to the Corona Virus outbreak and those out of employment due to termination or to closure of their place of employment – was at 5.0% in September 2022, compared to 6.0% in December 2021. As of September, the number of vacant jobs in the economy was at a high 152.3 thousand jobs.

According to forecast by the Bank of Israel Research Division dated October 2022, GDP in Israel is expected to grow by 6.0% in 2022 and by 3.0% in 2023. The forecast calls for a continued tight labor market, with slightly higher unemployment.

Inflation and exchange rates

In the first nine months of this year, the Consumer Price Index increased by 4.3%, compared to an increase by 2.5% in the corresponding period last year. Over the past year, the CPI increased by 4.6%, higher than the Bank of Israel target range. The increase in CPI was primarily affected by the release of pent-up demand and elimination of restrictions on economic activity, as well as by higher energy and commodity prices world-wide. All CPI components were higher, except for clothing and footwear and for fruits and vegetables.

In the first nine months of this year, the NIS was devalued by 13.9% against the USD, affected by foreign currency purchasing by institutional investors due to declines in global financial markets. The devaluation of the NIS increased inflationary pressures.

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

	September 30, 2022	December 31, 2021	Change in %
Exchange rate of:			
USD (in NIS)	3,543	3,110	13.9
EUR (in NIS)	3,486	3,520	(1.0)

On November 11, 2022, the USD/NIS exchange rate was 3.453 – a 2.5% revaluation compared to September 30, 2022. On said date, the EUR/NIS exchange rate was 3.565 – a 2.3% devaluation compared to September 30, 2022.

Monetary policy

Following the higher inflation and housing prices, and given the stability of the economic activity and labor market, the Bank of Israel continued to gradually raise interest rates. The Bank of Israel interest rate at the end of November will be at 3.25%, compared to 0.10% at the end of 2021. In its interest rate decision in November, the Monetary Committee noted that the pace of interest rate increases would be determined by data for activity and inflationary evolution. The forecast by the Bank of Israel Research Division, dated October 2022, estimates that the average interest rate in the third quarter of 2023 would be 3.5%.

Fiscal policy

In the first nine months of 2022, the Government budget recorded a NIS 33.3 billion cumulative surplus, compared to NIS 51.6 billion deficit in the corresponding period last year. The budget surplus as percentage of GDP for the 12 months ended in September 2022 was 0.9%. In the first nine months of 2022, expenditure by Government ministries decreased by 7.2% compared to the corresponding period last year; Excluding expenses for addressing the Corona Virus crisis, Government expenditure increased by 5.0%. Tax collection increased by a nominal 21.0% compared to the corresponding period last year.

Residential construction and the mortgage market

According to data from the Central Bureau of Statistics, in the first nine months of 2022 demand for new apartments (apartments sold and apartments constructed not for sale, net of seasonal effect) was 47.1 thousand apartments, a decrease by 11.6% over the corresponding period last year and an increase by 18.8% over the corresponding period in 2020. In the first nine months of 2022, residential mortgages extended to the public amounted to NIS 96.9 billion, compared to NIS 82.8 billion in the corresponding period last year and NIS 57.3 billion in the corresponding period in 2020 – an increase by 17% and 69%, respectively.

According to data from the Central Bureau of Statistics, owned housing prices, in terms of twelve months ended September 2022, increased by 19.8%, following an increase by 11.5% in 2021 and an increase by 4.0% in 2020.

Capital market

Trading on the local equity market in the third quarter of 2022 left major benchmarks mixed, as opposed to the negative trend in global and US stock exchanges.

In April 2022, prices on overseas market, as well as on the local stock market, started to drop. These drops were due to negative impact of three major factors: The war in the Ukraine and its implications for global economic activity on the one hand, and on the jump in commodity prices on the other hand, the zero tolerance for COVID policy in China, which has shut down the key port of Shanghai for a long time, which also contributed to pressure on commodity prices, and the transition of major central banks around the world, spearheaded by the Federal Reserve, from a highly expansionary policy to a contractionary policy, with rapid raising of interest rates (some already applied, and some slated for later this year and in 2023). The combination of these factors affects economic activity and investor sentiment. This impact is most evident in shares of growth companies (primarily in technology stocks), which have lost significant portions of the sharp increases which preceded the current crisis.

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

	2022			2021			
CPI	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Tel-Aviv 35	0.5	(9.5)	2.2	6.7	7.1	4.9	7.0
Tel-Aviv 125	-	(10.2)	2.0	7.5	5.4	6.0	6.1
Tel-Aviv 90	(1.7)	(11.6)	2.3	10.4	1.8	8.7	6.1

Average daily trading volume in equities and convertible securities in the third quarter of 2022 was NIS 2.2 billion, compared to NIS 1.8 billion in the corresponding period last year. Average daily trading volume in the first nine months of 2022 was NIS 2.4 billion, compared to NIS 1.8 billion in the corresponding period last year and compared to NIS 1.9 billion in 2021.

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

	2022			2021			
CPI	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
All-Bond general	(2.2)	(2.3)	(3.4)	1.4	1.3	1.0	0.3
Government bonds, CPI-linked	(2.5)	(3.0)	(3.9)	3.1	2.6	1.2	0.4
Government bonds, non-linked	(2.3)	(2.1)	(4.5)	0.9	(0.2)	-	(1.5)
Tel-bond 20	(2.5)	(3.8)	(3.0)	1.5	2.6	2.2	1.8
Tel-bond 40	(1.9)	(2.8)	(2.5)	1.1	2.6	1.9	1.7

Global economy

Global GDP declined in the second quarter of this year. This was primarily due to effects of war in the Ukraine and lock-downs imposed in China, resulting in challenges to the global supply chain and in higher inflation, due to higher prices of energy and commodities. According to the IMF forecast dated October 2022, global inflation would be at 8.8% in 2022 and at 6.5% in 2023. Global GDP growth in 2023 is expected to be at 2.7%, - 0.2 percentage points lower than in the previous forecast dated July 2022.

In the first three quarters of 2022, the US economy grew by an annualized 1.4%, compared to growth by 5.9% in all of 2021. The inflation rate increased to 8.2% for the 12 months ended in September. Consequently, the FED continued its restrictive policy and raised the monetary interest rate to in early November to 4.0%. The Purchasing Manager Index in service sectors indicates rapid expansion, whereas the Purchasing Manager Index in industrial sectors has declined year to date and now indicates slow expansion. The higher inflation and interest rates brought about a decrease in investment in residential construction and slowed down the real estate sector, as evidenced by the lower number of transactions and apartment prices. The unemployment rate in September 2022 was at 3.7%, similar to its level immediately prior to the crisis. In November, the mid-term elections to the House of Representatives and to the Senate were held. The election results indicate that the Democratic Party retained control of the Senate, with the Republican Party achieving a small majority in the House of Representatives.

In the first three quarters of 2022, the GDP in the Euro Zone grew by an annualized 3.1%, compared to growth by 5.3% in all of 2021. The inflation rate was higher at 10.7% for the twelve months ended in October. In order to curb inflation, the ECB raised this year its monetary interest rate for deposits by 2.0 percentage points, to 1.5% at the start of November. The Purchasing Manager indexes in the industrial and services sectors have been declining year to date and indicate reduced operations.

In the first three quarters of 2022, China's economy grew by an annualized 2.8%, compared to growth by 8.1% in all of 2021. The economic growth rate was impacted by a new morbidity wave, which caused lock-downs to be imposed and operations at many plants to be suspended. In view of the economic slow-down and sideways movement in the real estate sector, China's central bank lowered the key interest rate and decreased reserve requirements for banks. In October, incumbent President Shi was appointed to another term in office.

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

	2022			2021			
CPI	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Dow Jones	(6.7)	(11.3)	(4.6)	7.4	(1.9)	4.6	7.8
S&P 500	(5.3)	(16.5)	(5.0)	10.7	0.2	8.2	5.8
NASDAQ 100	(4.6)	(22.5)	(9.1)	11.1	0.9	11.2	1.6
DAX	(5.2)	(11.3)	(9.3)	4.8	(1.7)	3.5	9.4
FTSE 100	(3.8)	(4.6)	1.8	5.1	0.7	4.8	3.9
CAC	(2.7)	(11.1)	(6.9)	9.8	0.2	7.3	9.3
Nikkei	(1.7)	(5.1)	(3.4)	0.1	2.3	(1.3)	6.3

Major and emerging risks

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

As part of the risk mapping and identification process, the Bank reviews key risks, existing or new risks 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. Of these risks, one may note the following: environmental risk and climate risk, information security and cyber risk and IT risk. As noted, the risk mapping is regularly reviewed to ensure it covers all of the Bank's business activity, market conditions and regulatory requirements.

For more information, including analysis of major risks to which the Bank is exposed and an overview of their management and evolution in the reported period, including effect of the Corona Virus crisis, see chapter "Risks Overview" below, the Risks Report for the third quarter of 2022 and the Risks Report for 2021, available on the Bank website:

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

Events after the balance sheet date

For more information about dividend distribution with respect to earnings of the third quarter of 2022, see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below and the statement of changes to shareholder equity and the Note "Events after the balance sheet date" of these condensed financial statements.

Changes to critical accounting policy and to critical accounting estimates

As set forth in Note 1.D.1., following the adoption of updates to generally acceptable accounting practices by banks in the United States – provision for credit losses and other directives (CECL), the following were revised, inter alia: calculation of estimated provision for credit losses, estimated expected loss over the term of the credit in lieu of loss incurred and yet to be identified.

For this purpose, the Bank has developed models to estimate the provision for credit losses. In order to develop these models. the Bank was required to exercise judgement in assessments, estimates and assumptions which affect financial data. Note that actual results may differ from these estimates.

The new rules for calculation of the provision for credit losses apply to loans (including residential mortgages), to bonds held to maturity and to certain off-balance sheet credit exposures.

Material developments in revenues, expenses and other comprehensive income

Net profit for the Group in the first nine months of 2022 amounted to NIS 3,385 million, compared to NIS 2,509 million in the corresponding period last year – an increase by 34.9%. This reflects a 20.6% annualized return on equity, compared to 16.8% in the corresponding period last year and 15.8% for all of 2021. Excluding the effect of net capital gain from sale of assets, the net profit return on equity for the first nine months of 2022 was 18.9%.

Group net profit in the third quarter of 2022 amounted to NIS 1,178 million, compared to NIS 845 million in the corresponding period last year – an increase by 39.4%. This reflects a 20.8% annualized return on equity, compared to 16.2% in the corresponding period last year.

Analysis of developments in revenues, expenses and other comprehensive income

Net interest revenues and non-interest financing revenues(1) in the first nine months of 2022 amounted to NIS 7,844 million, compared to NIS 6,045 million in the corresponding period last year, an increase by 29.8%.
Net interest revenues and non-interest financing revenues(1) in the third quarter of 2022 amounted to NIS 2,954 million, compared to NIS 2,064 million in the corresponding period last year, an increase by 43.1%.

Net interest revenues and non-interest financing revenues(1) from current operations in the first nine months of 2022, excluding the effect of Union Bank, amounted to NIS 6,415 million, as described below, compared to NIS 4,845 million in the corresponding period last year, an increase by 32.4%.

Net interest revenues and non-interest financing revenues(1) from current operations in the third quarter of 2022, amounted to NIS 2,547 million, as described below, compared to NIS 1,671 million in the corresponding period last year, an increase by 52.4%.

The increase in operating revenues in the first nine months of 2022 was primarily due to the increase in activity, including an increase by 17.1% in balance of loans to the public and by 13.6% in balance of deposits from the public, compared to the corresponding period last year, and due to higher interest rates in Israel and world-wide.

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

	2022			2021				Change rate in %
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Third quarter of 2022 to third quarter of 2021
Interest revenues, net	2,691	2,453	2,144	1,958	2,001	2,035	1,691	
Non-interest financing revenues(1)	263	176	117	83	63	66	189	
Total financing revenues	**2,954**	**2,629**	**2,261**	**2,041**	**2,064**	**2,101**	**1,880**	**43.1**
Net of:								
Effect of the Consumer Price Index	267	379	228	41	173	251	19	
Revenues from interest collected with respect to problematic debts	22	20	13	18	14	14	11	
Gains (losses) from realized bonds and available-for-sale securities and gains (losses) from bonds held for trading, net	34	(3)	21	27	13	13	62	
Effect of accounting treatment of derivatives at fair value and others(2)	84	180	184	214	193	209	228	
Total effects other than from current operations	**407**	**576**	**446**	**300**	**393**	**487**	**320**	
Total financing revenues from current operations	**2,547**	**2,053**	**1,815**	**1,741**	**1,671**	**1,614**	**1,560**	**52.4**

	Nine months		Change rate
	2022	2021	(In %)
Total financing revenues	7,844	6,045	29.8
Total effects other than from current operations	1,429	1,200	
Total financing revenues from current operations	**6,415**	**4,845**	**32.4**

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

(2) The effect of accounting treatment of derivatives at fair value is due to the difference between accounting treatment of balance sheet instruments, charged to the profit and loss statement on an accrual basis (interest, linkage differentials and exchange rate differentials only), vs. derivatives measured at their fair value. Other impacts include the effect of Bank coverage against tax exposure with respect to overseas investments, by allocating excess financing sources against such investments.

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

	Third quarter			Change rate
Operating segment	**2022**	**2021**	**Change amount**	**(In %)**
Private individuals:				
Households – residential mortgages	611	580	31	5.3
Households – other	603	362	241	66.6
Private banking	49	20	29	-
Total individuals	**1,263**	**962**	**301**	**31.3**
Business operations:				
Small and micro businesses	496	354	142	40.1
Medium businesses	110	78	32	41.0
Large businesses	213	138	75	54.3
Institutional investors	78	30	48	-
Total business activity	**897**	**600**	**297**	**49.5**
Financial management	644	447	197	44.1
Total activity in Israel	**2,804**	**2,009**	**795**	**39.6**
Overseas activity	150	55	95	-
Total	**2,954**	**2,064**	**890**	**43.1**

	Nine months			Change rate
Operating segment	**2022**	**2021**	**Change amount**	**(In %)**
Private individuals:				
Households – residential mortgages	1,823	1,670	153	9.2
Households – other	1,399	1,082	317	29.3
Private banking	102	62	40	64.5
Total individuals	**3,324**	**2,814**	**510**	**18.1**
Business operations:				
Small and micro businesses	1,263	1,021	242	23.7
Medium businesses	306	252	54	21.4
Large businesses	555	435	120	27.6
Institutional investors	162	89	73	82.0
Total business activity	**2,286**	**1,797**	**489**	**27.2**
Financial management	1,945	1,276	669	52.4
Total activity in Israel	**7,555**	**5,887**	**1,668**	**28.3**
Overseas activity	289	158	131	82.9
Total	**7,844**	**6,045**	**1,799**	**29.8**

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

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

	Third quarter		Change rate	Nine months		Change rate
Linkage segment	**2022**	**2021**	**(In %)**	**2022**	**2021**	**(In %)**
Israeli currency – non-linked	289,559	265,042	9.3	279,972	255,112	9.7
Israeli currency – linked to the CPI	76,026	71,174	6.8	76,520	71,148	7.6
Foreign currency (including Israeli currency linked to foreign currency)	17,426	13,967	24.8	17,749	15,257	16.3
Total	**383,011**	**350,183**	**9.4**	**374,241**	**341,517**	**9.6**

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

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

	Third quarter		Nine months	
Linkage segments	**2022**	**2021**	**2022**	**2021**
Israeli currency – non-linked	2.28	1.90	2.15	1.89
Israeli currency – linked to the CPI	1.36	1.37	1.33	1.36
Foreign currency	1.27	1.56	1.19	1.35
Total	**1.98**	**1.78**	**1.82**	**1.73**

(1) Revenue and expense rates calculated for interest-bearing assets and liabilities.
(2) Average balances before deduction of provision with respect to credit losses.

Changes in interest spreads:

The increase in interest rate spread in the non-linked NIS segment is primarily due to the higher interest rates compared to the corresponding period last year.

The interest rate spread in the foreign currency segment shown excludes the effect of derivatives. Including the effect of derivatives, the interest rate spread in the foreign currency segment increased.

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

Expenses with respect to credit losses for the Group amounted to NIS 341 million in the first nine months of 2022, or an annualized rate of 0.15% of total loans to the public, net, compared to revenues with respect to credit losses amounting to NIS 263 million in the corresponding period last year – an annualized rate of 0.13% of total loans to the public, net in the corresponding period last year.

Expenses with respect to credit losses for the Group amounted to NIS 155 million in the third quarter of 2022, or an annualized rate of 0.20% of total loans to the public, net, compared to revenues with respect to credit losses amounting to NIS 36 million in the corresponding period last year – an annualized rate of 0.06% of total loans to the public, net in the corresponding period last year.

Expenses with respect to credit losses in the first nine months of 2022 include increase in the group-based provision due to growth of the Bank's commercial loan portfolio and residential mortgages portfolio, with the group-based provision reflecting the higher market interest rate. The increase in group-based provision contributed 205 to total expenses with respect to credit losses in the first nine months of 2022. Excluding this effect, the rate of expenses with respect to credit losses to total loans to the public, net would have been 0.06%.

In the corresponding period last year, the Bank recognized revenues with respect to decrease in provision for credit losses, due to decrease in the group-based provision, against the background of improved macro-economic data and decrease in loan amount subject to repayment deferral due to the Corona Virus crisis.

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

	Third quarter		Nine months	
	2022	**2021**	**2022**	**2021**
Provision for credit losses on individual basis (including accounting write-offs):				
Increased expenses	141	116	332	323
Decreased expenses	(94)	(78)	(199)	(260)
Total individual provision	**47**	**38**	**133**	**63**
Provision for credit losses on group basis:				
with respect to residential mortgages[1]	36	(10)	88	(92)
Other	72	(64)	120	(234)
Total expenses with respect to credit losses	**155**	**(36)**	**341**	**(263)**
Rate of the expenses with respect to credit losses as percentage of total loans to the public, net (annualized):	**0.20%**	**(0.06%)**	**0.15%**	**(0.13%)**
Of which: With respect to commercial loans other than residential mortgages	**0.43%**	**(0.11%)**	**0.30%**	**(0.25%)**
Of which: with respect to residential mortgages	**0.07%**	**(0.02%)**	**0.06%**	**(0.07%)**

(1) In the comparison period, including provision by extent of arrears.

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

	Third quarter		Nine months		Rate of expenses with respect to credit losses[1] in the third quarter		Rate of expenses with respect to credit losses[1] for the nine months	
Operating segment	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Private individuals:								
Households – residential mortgages	36	(10)	88	(92)	0.07	(0.02)	0.06	(0.11)
Households – other	20	(2)	52	(33)	0.30	(0.03)	0.26	(0.26)
Private banking	1	3	1	(1)	2.90	8.85	0.97	(1.42)
Total individuals	**57**	**(9)**	**141**	**(126)**	**0.10**	**(0.02)**	**0.09**	**(0.13)**
Business operations:								
Small and micro businesses	31	(11)	56	(48)	0.36	(0.14)	0.21	(0.31)
Medium businesses	28	(12)	53	8	0.92	(0.51)	0.58	0.17
Large businesses	41	(7)	77	(64)	0.60	(0.14)	0.37	(0.66)
Institutional investors	2	(1)	1	(27)	0.21	(0.23)	0.04	(3.03)
Total business activity	**102**	**(31)**	**187**	**(131)**	**0.52**	**(0.20)**	**0.32**	**(0.43)**
Financial management	-	-	-	-	-	-	-	-
Total activity in Israel	**159**	**(40)**	**328**	**(257)**	**0.21**	**(0.06)**	**0.15**	**(0.20)**
Overseas activity	(4)	4	13	(6)	(0.25)	0.39	0.27	(0.30)
Total	**155**	**(36)**	**341**	**(263)**	**0.20**	**(0.06)**	**0.15**	**(0.20)**

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

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

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

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

Non-interest revenues in the first nine months of 2022 amounted to NIS 2,661 million, compared to NIS 1,956 million in the corresponding period last year, an increase by NIS 705 million.

Non-interest revenues amounted to NIS 842 million in the third quarter of 2022, compared with NIS 614 million in the corresponding period last year – an increase by NIS 228 million.

Composition of non-interest revenues is as follows:

Non-interest financing revenues in the first nine months of 2022 amounted to NIS 556 million, compared to NIS 318 million in the corresponding period last year.

Non-interest financing expenses in the third quarter of 2022 amounted to NIS 263 million, compared to NIS 63 million in the corresponding period last year.

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

Commission revenues amounted to NIS 1,547 million in the first nine months of 2022, compared with NIS 1,419 million in the corresponding period last year – an increase by 9.0%, due to higher business volume.

Commission revenues in the third quarter of 2022 amounted to NIS 519 million, compared to NIS 473 million in the corresponding period last year – an increase by 9.7%.

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

	Third quarter		Nine months		All of
	2022	**2021**	**2022**	**2021**	**2021**
Account management	113	103	339	300	412
Activities involving securities	60	72	201	239	314
Conversion differences	87	69	255	218	306
Commissions from financing transactions	82	64	229	192	258
Credit cards	64	61	188	165	236
Credit processing(1)	40	42	119	112	152
Other commissions	73	62	216	193	269
Total commissions	**519**	**473**	**1,547**	**1,419**	**1,947**

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

Other revenues in the first nine months of 2022, amounted to NIS 558 million compared with NIS 219 million in the corresponding period last year – an increase by NIS 339 million.

Other revenues in the third quarter of 2022 amounted to NIS 60 million, compared to NIS 78 million in the corresponding period last year.

Revenues in the corresponding period last year included capital gain amounting to NIS 14 million from sale of the subsidiary United Mizrahi Bank (Switzerland) Limited.

Other revenues in the first nine months of 2022 include capital gain from realized assets (recorded in the first quarter) amounting to NIS 371 million. For more information see chapter "Significant Events in the Bank Group's Business" above.

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

Operating and other expenses in the first nine months of 2022 amounted to NIS 4,359 million, compared to NIS 4,013 million in the corresponding period last year, an increase by 8.6%.

Operating and other expenses in the third quarter of 2022 amounted to NIS 1,529 million, compared to NIS 1,339 million in the corresponding period last year, an increase by 14.2%. For details by operating expense component, see below.

Payroll and associated expenses in the first nine months of 2022 amounted to NIS 2,835 million, compared to NIS 2,576 million in the corresponding period last year, an increase by 10.1%.

Payroll and associated expenses in the third quarter of 2022 amounted to NIS 1,002 million, compared to NIS 863 million in the corresponding period last year – an increase by 16.1%.

The rate of increase in payroll expenses was primarily due to variable remuneration items, due to the fiscal results in the first nine months of 2022.

Maintenance and depreciation expenses for buildings and equipment in the first nine months of 2022 amounted to NIS 731 million, compared with NIS 735 million in the corresponding period last year – a decrease by 0.5%.

Maintenance and depreciation expenses for buildings and equipment amounted to NIS 240 million in the third quarter of 2022, compared with NIS 250 million in the corresponding period last year, a decrease by 4.0%.

The decrease in maintenance expenses is due, inter alia, to closing of some Union Bank branches as part of the merger.

Other expenses amounted to NIS 793 million in the first nine months of 2022, compared with NIS 702 million in the corresponding period last year – a year-over-year increase by 13.0%.

Other expenses in the third quarter of 2022 amounted to NIS 287 million, compared to NIS 226 million in the corresponding period last year – an increase by 27.0%.

The increase in other expenses is primarily due to non-recurring expenses with respect to the Union Bank merger.

Cost-Income ratio information is as follows[1] (in percent):

	2022			2021			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Cost Income Ratio	43.3	45.0	[2]43.2	59.0	51.2	50.4	55.3

	Nine months		All of
	2022	2021	2021
Cost Income Ratio	[2]43.8	52.2	54.0

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

(2) Excluding capital gain from realized properties, the ratio in the first nine months and in the first quarter of 2022 was 45.5% and 48.8%, respectively.

Pre-tax profit for the Group amounted to NIS 5,249 million in the first nine months of 2022, compared with NIS 3,933 million in the corresponding period last year – an increase by 33.5%. For a detailed explanation, see above.

Pre-tax profit for the Group in the third quarter of 2022 amounted to NIS 1,849 million, compared to NIS 1,312 million in the corresponding period last year, an increase by 40.9%. For a detailed explanation, see above.

The rate of provision for taxes on profit in the first nine months of 2022 was 33.8% – compared to 34.1% in the corresponding period last year.

The provision rate for taxes on profit in the third quarter of 2022 was 34.3% – compared to 33.7% in the corresponding period last year.

Bank share of after-tax profit of associates – in the first nine months of 2022 the Bank recognized gain with respect to associates amounting to NIS 4 million, compared to loss amounting to NIS 10 million in the corresponding period last year.

Bank share of after-tax profit of associates – in the third quarter of 2022 the Bank recognized gain with respect to associates amounting to NIS 2 million, compared to gain amounting to NIS 1 million in the corresponding period last year.

The share of the non-controlling interests in net results of subsidiaries attributable to Bank Yahav in the first nine months of 2022 amounted to NIS 92 million, compared to NIS 74 million in the corresponding period last year.

The share of the non-controlling interests in net results of subsidiaries attributable to Bank Yahav in the third quarter of 2022 amounted to NIS 38 million, compared to NIS 26 million in the corresponding period last year.

Net profit attributable to shareholders of the Bank in the first nine months of 2022 amounted to NIS 3,385 million, compared to NIS 2,509 million in the corresponding period last year.

Net profit attributable to shareholders of the Bank in the third quarter of 2022 amounted to NIS 1,178 million, compared to NIS 845 million in the corresponding period last year.

Shareholder equity of the Bank includes a decrease by NIS 249 million and by NIS 58 million in the first nine months and in the third quarter of this year, respectively, due to adjustments with respect to presentation of bonds available for sale at fair value ("Other comprehensive income attributable to shareholders of the Bank") and to adjustments with respect to employee benefits, compared to decrease by NIS 16 million and to increase by NIS 8 million in the corresponding periods last year. For more information see Note 4 to the financial statements.

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

	2022	2021					
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net profit return on equity	20.8	19.4	[5]21.9	12.9	16.2	19.8	14.1
Ratio of Tier I equity to risk components at end of quarter	9.92	10.00	10.01	10.04	10.44	10.53	10.15
(Quarterly) liquidity coverage ratio	119	120	120	125	126	132	133
Leverage ratio at end of quarter	5.26	5.23	5.31	5.18	5.37	5.36	5.16

	Nine months		All of
	2022	2021	2021
Net profit return on equity	[5]20.6	16.8	15.8

(1) Annualized. In conformity with Bank of Israel circular 2664-06, the calculation method for presenting return for interim periods has been revised. Comparative figures were revised accordingly. Net profit return on equity in 2021 using the old method was: For the first nine months: 17.1%; For the first quarter: 14.9%; for the second quarter: 21.3%; for the third quarter: 17.3%; for the fourth quarter: 13.5%.

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

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

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

(5) Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first nine months of 2022 and in the first quarter of 2022 is 18.9% and 16.6%, respectively.

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

	Third quarter		Nine months		All of
	2022	2021	2022	2021	2021
Basic earnings per share	4.59	3.30	13.26	9.82	12.47
Diluted earnings per share	4.56	3.29	13.19	9.79	12.35
Dividends per share	123	189	229	189	482

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

Assets and liabilities

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

				Change in % compared to	
		September 30	December 31	September 30	December 31
	2022	2021	2021	2021	2021
Total assets	429,767	379,563	392,271	13.2	9.6
Cash and deposits with banks	95,596	96,365	95,267	(0.8)	0.3
Loans to the public, net	304,104	259,742	271,428	17.1	12.0
Securities	14,379	14,749	15,033	(2.5)	(4.4)
Buildings and equipment	1,410	1,667	1,734	(15.4)	(18.7)
Deposits from the public	345,339	303,921	307,924	13.6	12.2
Deposits from banks	7,725	6,801	6,992	13.6	10.5
Bonds and subordinated notes	31,352	32,664	38,046	(4.0)	(17.6)
Shareholders' equity	22,989	20,831	20,770	10.4	10.7

Cash and deposits with banks – the balance of cash and deposits with banks increased in the first nine months of 2022 by NIS 0.3 billion, as part of on-going management of Bank liquidity.

Loans to the public, net – loans to the public, net as of September 30, 2022 accounted for 71% of total assets, compared to 69% at the end of 2021. Loans to the public, net for the Group in the first nine months of 2022 increased by NIS 32.7 billion, or 12.0%.

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

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

				Change in % compared to	
		September 30	December 31	September 30	December 31
	2022	2021	2021	2021	2021
Israeli currency					
Non-linked	215,295	179,367	190,455	20.0	13.0
CPI-linked	73,819	68,653	69,534	7.5	6.2
Foreign currency, including linked to foreign currency	14,990	11,618	11,439	29.0	31.0
Non-monetary items	-	104	-	-	-
Total	**304,104**	**259,742**	**271,428**	**17.1**	**12.0**

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

				Change in % compared to	
		September 30	December 31	September 30	December 31
	2022	2021	2021	2021	2021
Private individuals:					
Households – residential mortgages	192,772	168,915	174,822	14.1	10.3
Households – other	26,634	25,473	25,948	4.6	2.6
Private banking	138	140	139	(1.4)	(0.7)
Total individuals	**219,544**	**194,528**	**200,909**	**12.9**	**9.3**
Business operations:				-	-
Small and micro businesses	34,760	30,717	30,245	13.2	14.9
Medium businesses	12,153	9,322	9,848	30.4	23.4
Large businesses	27,457	19,346	23,289	41.9	17.9
Institutional investors	3,773	1,768	2,939	-	28.4
Total business activity	**78,143**	**61,153**	**66,321**	**27.8**	**17.8**
Overseas activity	6,417	4,061	4,198	58.0	52.9
Total	**304,104**	**259,742**	**271,428**	**17.1**	**12.0**

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

Below are details of problematic credit risk and non-performing assets before provision for credit losses, in accordance with provisions for measurement and disclosure of non-accruing debts, credit risk and provision for credit losses[6]:

Reported amounts (NIS in millions)	Credit risk[1]							
	As of September 30, 2022				As of September 30, 2021			
	Commercial	Residential	Individual	Total	Commercial	Residential	Individual	Total
Credit risk at performing credit rating[2]								
On-balance sheet credit risk	86,647	191,372	25,494	303,513	65,695	167,775	23,676	257,146
Off-balance sheet credit risk[3]	51,238	14,507	14,240	79,985	53,920	14,275	13,755	81,950
Total credit risk at performing credit rating	**137,885**	**205,879**	**39,734**	**383,498**	**119,615**	**182,050**	**37,431**	**339,096**
Credit risk other than at performing credit rating								
A. Non-problematic	1,990	702	316	3,008	2,542	735	280	3,557
B. Problematic accruing	880	129	148	1,157	753	1,396	137	2,286
C. Problematic non-accruing	1,270	1,567	73	2,910	1,185	-	52	1,237
Total on-balance sheet credit risk other than at performing credit rating	**4,140**	**2,398**	**537**	**7,075**	**4,480**	**2,131**	**469**	**7,080**
Off-balance sheet credit risk[3] other than at performing credit rating	1,066	-	36	1,102	1,156	-	24	1,180
Total credit risk other than at performing credit rating	**5,206**	**2,398**	**573**	**8,177**	**5,636**	**2,131**	**493**	**8,260**
Of which: Accruing debts, in arrears 90 days or longer	99	-	35	134	73	1,316	25	1,414
Total credit risk, including risk to the public[4]	**143,091**	**208,277**	**40,307**	**391,675**	**125,251**	**184,181**	**37,924**	**347,356**
Non-performing assets[5]	**1,270**	**1,567**	**73**	**2,910**	**1,185**	**-**	**52**	**1,237**

Reported amounts (NIS in millions)	Credit risk[1]			
	As of December 31, 2021			
	Commercial	Residential	Individual	Total
Credit risk at performing credit rating[2]				
On-balance sheet credit risk	71,349	173,576	24,400	269,325
Off-balance sheet credit risk[3]	51,173	19,769	13,823	84,765
Total credit risk at performing credit rating	**122,522**	**193,345**	**38,223**	**354,090**
Credit risk other than at performing credit rating				
A. Non-problematic	2,440	882	281	3,603
B. Problematic accruing	734	1,300	137	2,171
C. Problematic non-accruing	1,238	-	56	1,294
Total on-balance sheet credit risk other than at performing credit rating	**4,412**	**2,182**	**474**	**7,068**
Off-balance sheet credit risk[3] other than at performing credit rating	921	-	28	949
Total credit risk other than at performing credit rating	**5,333**	**2,182**	**502**	**8,017**
Of which: Accruing debts, in arrears 90 days or longer	61	1,229	26	1,316
Total credit risk, including risk to the public[4]	**127,855**	**195,527**	**38,725**	**362,107**
Non-performing assets[5]	**1,238**	**-**	**56**	**1,294**

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

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

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

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

(5) Assets not accruing interest.

(6) Comparative figures in this table were calculated in conformity with directives applicable through December 31, 2021, with their presentation adapted in as much as possible to the new disclosure format. Note that the classification "Non-accruing" with regard to residential mortgages only applies as from 2022.

Credit risk is composed of on-balance-sheet risk and off-balance-sheet credit risk, which are weighted by nature of the borrower and credit type, as per Bank of Israel directives. On-balance sheet risk includes balances of loans to the public, derivative instruments purchased by the public and Group investments in public bonds. Off-balance sheet credit risk includes guarantees and transactions in off-balance sheet instruments, commitments to extend credit and un-utilized credit facilities. Total credit risk to the public for the Bank Group as of September 30, 2022 amounted to NIS 391 billion, compared to NIS 362 billion as of December 31, 2021 – an increase by 8.0%.
For more information about credit risk with respect to individuals (excluding residential mortgages), credit risk in the construction and real estate economic sector in Israel and residential mortgage risk, see chapter "Credit risk".

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

Benchmarks for analysis of quality of loans to the public, expenses and provision for credit losses(1) (in percent):

	As of September 30, 2022				As of September 30, 2021			
	Commercial	Residential	Individual	Total	Commercial	Residential	Individual	Total
Analysis of quality of loans to the public								
Non-accruing credit as percentage of total loans to the public	1.46	0.81	0.28	0.95	1.75	-	0.22	0.47
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.54	0.81	0.41	0.98	1.80	0.82	0.32	1.03
Problematic credit as percentage of total loans to the public	2.47	0.88	0.85	1.33	2.86	0.82	0.78	1.35
Credit not at performing credit rating as percentage of total loans to the public	5.98	1.24	2.20	2.66	8.30	1.25	2.04	3.15
Analysis of expenses with respect to credit losses for the reported period								
Expenses with respect to credit losses as percentage of average balance of loans to the public	0.25	0.05	0.21	0.12	(0.20)	(0.06)	(0.14)	(0.10)
Net accounting write-offs as percentage of average balance of loans to the public	0.08	-	0.15	0.04	0.04	0.00	0.17	0.03
Analysis of provision for credit losses with respect to loans to the public								
Provision for credit losses as percentage of total loans to the public	1.92	0.44	1.76	0.97	1.84	0.50	1.14	0.91
Provision for credit losses as percentage of total loans to the public non-accruing	131.5	55.0	627.4	102.8	105.4	-	526.9	191.7
Provision for credit losses as percentage of total loans to the public non-accruing or in arrears 90 days or longer	124.8	55.0	424.1	99.2	102.1	60.7	351.3	87.9
Expense (revenue) rate with respect to credit losses from net accounting write-offs	2.99	-	1.36	3.22	(5.44)	(30.67)	(0.85)	(3.85)

	As of December 31, 2021			
	Commercial	Residential	Individual	Total
Analysis of quality of loans to the public				
Non-accruing credit as percentage of total loans to the public	1.64	-	0.23	0.46
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.68	0.74	0.33	0.96
Problematic credit as percentage of total loans to the public	2.64	0.74	0.78	1.25
Credit not at performing credit rating as percentage of total loans to the public	7.31	1.24	2.02	2.93
Analysis of expenses with respect to credit losses for the reported period				
Expenses with respect to credit losses as percentage of average balance of loans to the public	(0.13)	(0.08)	(0.23)	(0.11)
Net accounting write-offs as percentage of average balance of loans to the public	0.11	-	0.19	0.05
Analysis of provision for credit losses with respect to loans to the public				
Provision for credit losses as percentage of total loans to the public	1.72	0.46	1.02	0.85
Provision for credit losses as percentage of total loans to the public non-accruing	105	-	454	185
Provision for credit losses as percentage of total loans to the public non-accruing or in arrears 90 days or longer	103	62	310	89
Expense (revenue) rate with respect to credit losses from net accounting write-offs	(0.40)	(13.30)	(0.39)	(0.70)

(1) Comparative figures in this table were calculated in conformity with directives applicable through December 31, 2021, with their presentation adapted in as much as possible to the new disclosure format. Note that the classification "Non-accruing" with regard to residential mortgages only applies as from 2022.

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

	September 30		December 31	Change in % compared to September 30	Change in % compared to December 31
	2022	2021	2021	2021	2021
Off-balance sheet financial instruments other than derivatives[(1)]:					
Unutilized debitory account and other credit facilities in accounts					
On-call, un-utilized	20,480	22,536	21,168	(9.1)	(3.3)
Guarantees to home buyers	19,938	15,011	16,582	32.8	20.2
Irrevocable commitments for loans approved but not yet granted	24,677	28,559	32,963	(13.6)	(25.1)
Unutilized revolving credit card facilities	11,384	10,871	10,643	4.7	7.0
Commitments to issue guarantees	8,159	10,222	9,351	(20.2)	(12.7)
Guarantees and other commitments	12,441	10,776	10,571	15.4	17.7
Loan guarantees	3,332	3,326	3,321	0.2	0.3
Documentary credit	786	310	430	-	82.8
Derivative financial instruments[(2)]:					
Total par value of derivative financial instruments	352,833	328,318	306,727	7.5	15.0
(On-balance sheet) assets with respect to derivative instruments	8,695	2,769	3,652	-	138.1
(On-balance sheet) liabilities with respect to derivative instruments	7,549	2,626	3,753	-	101.1

(1) Contractual balances or their stated amounts at the end of the period, before effect of provision for credit losses. See Note 11 to the financial statements for additional information.

(2) Includes forward transactions, swaps, options and credit derivatives.

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

Securities – investment in securities decreased in the first nine months of 2022 by NIS 0.7 billion. The decrease in investment in securities is under asset and liability management by the Bank.

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

	Carrying amount	Amortized cost (for shares – cost)	Provision for credit losses	Gain from fair value adjustments	Loss from fair value adjustments	Fair value[(1)]
						September 30, 2022
Bonds held to maturity	3,539	3,539	-	1	(131)	3,409
Bonds available for sale	7,806	8,529	-	[(2)]57	[(2)](780)	7,806
Investment in shares not held for trading	656	586	-	[(3)]80	[(3)](10)	656
Securities held for trading	2,378	2,388	-	[(3)]7	[(3)](17)	2,378
Total securities	**14,379**	**15,042**	**-**	**145**	**(938)**	**14,249**
						September 30, 2021
Bonds held to maturity	3,109	3,109	-	65	(8)	3,166
Bonds available for sale	10,268	10,172	-	[(2)]164	[(2)](68)	10,268
Investment in shares not held for trading	646	498	-	[(3)]149	[(3)](1)	646
Securities held for trading	726	724	-	[(3)]13	[(3)](11)	726
Total securities	**14,749**	**14,503**		**391**	**(88)**	**14,806**
						December 31, 2021
Bonds held to maturity	2,934	2,934	-	66	(5)	2,995
Bonds available for sale	10,823	10,675	-	[(2)]192	[(2)](44)	10,823
Investment in shares not held for trading	706	574	-	[(3)]134	[(3)](2)	706
Securities held for trading	570	560	-	[(3)]17	[(3)](7)	570
Total securities	**15,033**	**14,743**		**409**	**(58)**	**15,094**

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

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

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

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

				Change in % compared to	
		September 30	December 31	September 30	December 31
	2022	2021	2021	2021	2021
Israeli currency					
Non-linked	6,507	7,233	6,728	(10.0)	(3.3)
CPI-linked	2,111	1,622	1,469	30.1	43.7
Foreign currency (including linked to foreign currency)	5,085	5,230	6,110	(2.8)	(16.8)
Non-monetary items	676	664	726	1.8	(6.9)
Total	**14,379**	**14,749**	**15,033**	**(2.5)**	**(4.4)**

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

	Carrying amount as of		
	September 30, 2022	September 30, 2021	December 31, 2021
Government bonds:			
Government of Israel	9,994	11,345	10,421
US Government	1,318	941	2,035
Total Government bonds	**11,312**	**12,286**	**12,456**
Bonds of financial institutions in Israel:			
Total bonds of financial institutions in Israel	**869**	**482**	**601**
Bonds of banks in developed nations:			
USA	114	52	48
South Korea	71	100	67
Other	76	64	62
Total bonds of banks in developed nations	**261**	**216**	**177**
Corporate bonds (by economic sector):			
Rental property	493	451	473
Power, gas, steam and air conditioning	178	192	179
Construction	104	59	57
Mining and excavation	92	88	95
Industrial – chemical industry	62	56	58
Other	278	227	205
Total corporate bonds	**1,207**	**1,073**	**1,067**
Asset-backed corporate bonds (ABS)			
Mining and excavation	52	25	4
Others	2	3	2
Total asset-backed corporate bonds (ABS)	**54**	**28**	**6**
Shares and other securities			
Investment in shares not held for trading	656	646	706
Of which: Shares for which no fair value is available(1)	413	360	414
Shares and other securities held for trading	20	18	20
Total shares and other securities	**676**	**664**	**726**
Total securities	**14,379**	**14,749**	**15,033**

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

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

Buildings and equipment – The balance of buildings and equipment decreased in the first nine months of 2022 by NIS 0.3 billion. The decrease in balance of buildings and equipment is primarily due to sale of real estate properties; For more information see "Significant Events in the Bank Group's Business" above.

Deposits from the public – these account for 80% of total consolidated balance sheet as of September 30, 2022 compared to 78% as of December 31, 2021. In the first nine months of 2022, deposits from the public with the Bank Group increased by NIS 37.4 billion, or 12.2%.

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

	September 30		December 31	Change in % compared to September 30	Change in % compared to December 31
	2022	2021	2021	2021	2021
Israeli currency					
Non-linked	260,399	229,561	233,149	13.4	11.7
CPI-linked	23,170	21,274	21,503	8.9	7.8
Foreign currency, including linked to foreign currency	61,770	52,982	53,272	16.6	16.0
Non-monetary items	-	104	-	-	-
Total	**345,339**	**303,921**	**307,924**	**13.6**	**12.2**

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

	September 30		December 31	Change in % compared to September 30	Change in % compared to December 31
	2022	2021	2021	2021	2021
Private individuals:					
Households – other	124,530	118,433	118,051	5.1	5.5
Private banking	24,985	21,472	21,664	16.4	15.3
Total individuals	**149,515**	**139,905**	**139,715**	**6.9**	**7.0**
Business operations:					
Small and micro businesses	57,378	49,341	50,247	16.3	14.2
Medium businesses	14,156	14,396	15,742	(1.7)	(10.1)
Large businesses	38,024	35,558	36,669	6.9	3.7
Institutional investors	79,194	60,730	61,365	30.4	29.1
Total business activity	**188,752**	**160,025**	**164,023**	**18.0**	**15.1**
Overseas activity	7,072	3,991	4,186	77.2	68.9
Total	**345,339**	**303,921**	**307,924**	**13.6**	**12.2**

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

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

	September 30		December 31
	2022	2021	2021
Maximum deposit			
Up to 1	99,670	96,054	95,170
Over 1 to 10	85,300	78,087	78,746
Over 10 to 100	46,141	44,978	44,740
Over 100 to 500	39,962	35,017	36,591
Above 500	74,266	49,785	52,677
Total	**345,339**	**303,921**	**307,924**

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

Deposits from banks – The balance of deposits from banks as of September 30, 2022 amounted to NIS 7.7 billion, compared to NIS 7.0 billion as of December 31, 2021.

Bonds and subordinated notes – The balance of bonds and subordinated notes as of September 30, 2022 amounted to NIS 31.4 billion, a decrease by NIS 6.7 billion compared to the balance as of December 31, 2021. In the first nine months of 2022, bonds and subordinated notes were primarily affected by issuance amounting to NIS 2.4 billion, by early redemption of subordinated capital note (Series A), for consideration amounting to NIS 2.1 billion, by early redemption of contingent subordinated notes (CoCo) amounting to NIS 0.3 billion and by current maturities. For more information see chapter "Developments in financing sources" above.

Capital, capital adequacy and leverage

Shareholder equity attributable to shareholders of the Bank – Shareholder equity attributable to equity holders of the Bank as of September 30, 2022 amounted to NIS 23.0 billion, compared to NIS 20.8 billion and NIS 20.8 billion as of December 31, 2021 and as of September 30, 2021, an increase by 10.7% and 10.4%, respectively.

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

	September 30		December 31
	2022	**2021**	**2021**
Share capital and premium(1)	3,517	3,495	3,497
Capital reserve from benefit from share-based payment transactions	82	54	76
Cumulative other comprehensive loss(2)(3)	(552)	(292)	(303)
Retained earnings (4)	19,942	17,574	17,500
Total	**22,989**	**20,831**	**20,770**

(1) For more information about share issuance, see "Condensed Statements of Changes in Shareholders' Equity".
(2) For more information about other comprehensive income (loss), see Note 4 to the financial statements.
(3) Includes actuarial obligation with respect to streamlining program for employee retirement, see Notes 22 and 25 to the 2021 financial statements.
(4) For more information about development of cumulative revenues and expenses to retained earnings in the reported period, see chapter "Material developments in revenues, expenses and other comprehensive income" above.

The ratio of shareholders' equity to total assets for the Group as of September 30, 2022 was 5.35% compared to 5.29% as of December 31, 2021 and 5.49% as of September 30, 2021.

Capital adequacy

Supervisory capital

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

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

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

Additional Tier I capital consists of equity instruments which fulfill the requirements specified in the directives. As of September 30, 2022, the Bank had no capital instruments included in additional Tier I capital.

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

Subordinated notes, recognized as Tier II capital instruments in conformity with the previous directives, do not qualify as supervisory capital in conformity with current directives (primarily due to lack of loss-absorption mechanism) and are amortized over the term of transition provisions, through January 1, 2022. Therefore, in 2021 the cap for instruments qualifying as supervisory capital was at 10%, and as from January 1, 2022, transition provisions expired and non-qualifying capital instruments may no longer be recognized in supervisory capital.

Capital planning at the Bank

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

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

As part of capital management at the Bank, in March 2022 the Bank conducted, for the first time ever in Israel, a transaction whereby the Bank obtained insurance coverage from an international insurer for part of the residential mortgage portfolio. Obtaining this insurance has allowed the Bank to reduce the capital allocation with respect to the insured portfolio, based on the quality rating of the insurer, thereby making capital available, *inter alia*, for expansion of Bank business. Later, in June 2022, another similar transaction was conducted.

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

Changes to Tier I equity by NIS 100 million would cause a change in Tier I capital adequacy ratio by 0.04%. Change in risk assets by NIS 1 billion would cause a change in Tier I capital adequacy ratio by 0.04%.

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

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

Consequently, the Bank stipulated that the Bank's target Tier I capital for capital planning would be as required by directives of the Supervisor of Banks, plus appropriate safety margins.

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

Ratio of capital to risk components

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

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

Due to the Corona Virus outbreak and as part of adaptations of Proper Conduct of Banking Business Directives, the Supervisor of Banks issued Proper Conduct of Banking Business Directive 250 which includes, inter alia, an interim directive with regard to update to Directive 201, including reduction of regulatory capital requirements applicable to banks by one percentage point, and update to Directive 329, eliminating the capital requirements of one additional percentage point for residential mortgages for purchase of a residential apartment extended from March 19, 2020 through September 30, 2021 and for general purpose residential mortgages extended as from March 19, 2020.

During the crisis, the Supervisor of Banks issued updates extending the validity of the Interim Directive, and with regard to reduction of capital requirements, the Supervisor of Banks stipulated that this relief measure would apply through 24 months after expiration of the directive, provided that the banking corporation's capital ratios would not be lower than the capital ratios upon expiration of the directive, or the minimum capital ratios applicable to the banking corporation prior to the Interim Directive, whichever is lower. However, the circular stipulates that reduction of capital ratios by up to 0.3 percentage points within six months after expiration of the directive shall not be deemed a deviation from the foregoing.

On December 27, 2021, the Supervisor of Banks issues a circular whereby the Interim Directive would expire as from January 1, 2022. The Supervisor further revised Proper Conduct of Banking Business Directive 329 with regard to "Restrictions on residential mortgages", whereby the additional capital requirement at 1 percentage point would only apply to residential mortgages and would not apply to residential mortgages other than for purchasing interest in real estate and by mortgage on an apartment (hereinafter: "General-purpose loan").

For more information about the revision of calculation of the loan repayment to income ratio (PTI), see Note 9 to the financial statements.

For more information about issue and redemption of contingent subordinated notes (Contingent Convertibles – CoCo), see chapter "Developments in financing sources" above.

For more information about the circular concerning capital requirement with respect to loans to finance land, see Note 9 to the financial statements.

For more information about dividends, see Chapter "Dividends" to the financial statements.

For more information about adjustments with respect to regulatory directives and other effects on capital adequacy ratio, see Note 9 to the financial statements.

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

	As of September 30		As of December 31
	2022	2021	2021
Capital for purpose of calculating the capital ratio			
Tier I shareholders' equity	24,332	22,099	21,969
Tier I capital	24,332	22,099	21,969
Tier II capital	7,854	8,169	7,914
Total capital	**32,186**	**30,268**	**29,883**
Weighted risk asset balances			
Credit risk[1]	228,416	195,936	202,611
Market risks	1,497	2,115	2,268
Operational Risk	15,369	13,655	13,831
Total weighted risk asset balances	**245,282**	**211,706**	**218,710**

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

	September 30, 2022	September 30, 2021	December 31, 2021
Ratio of Tier I equity to risk components	9.92	10.44	10.04
Ratio of total capital to risk components	13.12	14.30	13.66
Minimum Tier I equity ratio required by Supervisor of Banks	9.61	8.60	8.60
Total minimum capital ratio required by the directives of the Supervisor of Banks	12.50	12.50	12.50

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

	As of September 30, 2022		As of September 30, 2021		As of December 31, 2021	
Exposure group	Weighted risk asset balances	Capital requirement[1]	Weighted risk asset balances	Capital requirement[1]	Weighted risk asset balances	Capital requirement[1]
Debts of sovereigns	37	5	33	4	99	12
Debts of public sector entities	409	51	367	46	556	70
Debts of banking corporations	1,643	205	1,129	141	1,475	184
Securities companies	1,235	154	276	35	287	36
Debts of corporations	75,778	9,472	59,689	7,461	61,969	7,746
Debts secured by commercial property	5,177	647	6,611	826	6,099	762
Retail exposures to individuals	20,683	2,585	18,877	2,360	19,412	2,427
Loans to small businesses	10,312	1,289	9,567	1,196	9,776	1,222
Residential mortgages	103,110	12,889	90,760	11,345	93,992	11,749
Other assets	8,639	1,080	8,133	1,017	8,417	1,052
Total credit risk	**227,023**	**28,377**	**195,442**	**24,431**	**202,082**	**25,260**

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

	As of September 30, 2022		As of September 30, 2021		As of December 31, 2021	
	Weighted risk asset balances	Capital requirement(1)	Weighted risk asset balances	Capital requirement(1)	Weighted risk asset balances	Capital requirement(1)
Market risk	1,497	187	2,115	264	2,268	284
CVA risk with respect to derivatives (2)	1,393	174	494	62	529	66
Operational Risk (3)	15,369	1,921	13,655	1,707	13,831	1,729
Total	**18,259**	**2,282**	**16,264**	**2,033**	**16,628**	**2,079**
Total risk assets	**245,282**	**30,659**	**211,706**	**26,464**	**218,710**	**27,339**

(1) Capital requirement in conformity with required overall minimum capital ratio of 12.5%
(2) Credit Value Adjustments – mark to market with respect to credit risk of counter-party, in conformity with Basel III provisions.
(3) Capital allocation with respect to operational risk was calculated using the standard approach.

Leverage ratio

The Bank applies Proper Conduct of Banking Business Directive 218 concerning "Leverage ratio", which adopts the Basel Committee recommendation with regard to leverage ratio.

The leverage ratio is reflected in percent, defined as the ratio of Tier I capital to total exposures. Total exposure for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items. According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.

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

On May 15, 2022, the Supervisor of Banks issued another circular, whereby this relief shall apply through June 30, 2024, provided that the leverage ratio would be no less than the leverage ratio as of December 31, 2023, or the minimum leverage ratio applicable to the banking corporation prior to the Interim Directive, whichever is lower.

The Bank's leverage ratio as of September 30, 2022 is 5.26%, compared to 5.18% as of December 31, 2021.

For more information see Note 9 to the financial statements.

Below is the Bank's leverage ratio:

	As of September 30		As of December 31
	2022	**2021**	**2021**
Consolidated data			
Tier I capital	24,332	22,099	21,969
Total exposure (1)	462,856	411,555	423,950
			In %
Leverage ratio	5.26	5.37	5.18
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Leverage ratio	5.86	5.39	5.55
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
Union Bank Le-Israel Ltd. and its subsidiaries			
Leverage ratio	13.24	6.95	8.37
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50

Dividends

Dividend distribution policy

For more information about the Bank's current dividend distribution policy for 2021-2025, see chapter "Dividends" of the 2021 Report by the Board of Directors and Management.

Dividend distribution

Below is information about dividend distributions by the Bank since 2020 (in reported amounts):

Declaration date	Payment date	Dividends per share (Agorot)	Dividends as percent of profit	Total dividends paid (NIS in millions)
August 16, 2021	August 31, 2021	188.99	(1)0.30	483.0
November 15, 2021	November 30, 2021	293.47	(2)0.30	752.7
Total dividend distributions in 2021[3]				**1,235.7**
February 28, 2022	March 15, 2022	105.89	0.40	271.6
August 15, 2022	August 30, 2022	122.91	0.30	315.9
Total dividend distributions in 2022[4]				**587.5**

(1) Dividends rate as percentage of net profit in 2020.
(2) Dividends rate as percentage of net profit in the first nine months of 2021.
(3) Total dividends distributed with respect to 2021 earnings – NIS 1,024.3 million.
(4) Total dividends distributed with respect to 2022 earnings – NIS 315.9 million.

Dividends declared

On November 28, 2022, the Bank Board of Directors resolved to distribute a dividend amounting to NIS 353.4 million, or 30% of earnings in the third quarter of 2022. This is in line with the Bank's dividend policy, in order to support continued future growth of the Bank in view of macro-economic developments.

The dividends are 1374.3% of issued share capital, i.e. NIS 1.3743 per NIS 0.1 par value share. The effective date for dividends payment is December 6, 2022 and the payment date is December 13, 2022. The final dividends per share is subject to changes due to realized convertible securities of the Bank.

Other off-balance sheet activity

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

				Change in % compared to	
		September 30	December 31	September 30	December 31
	2022	2021	2021	2021	2021
Securities[1]	491,950	506,339	545,852	(2.8)	(9.9)
Assets of provident funds for which the Group provides operating services	126,249	112,773	125,960	11.9	0.2
Assets held in trust by Bank Group	75,741	66,829	78,783	13.3	(3.9)
Assets of mutual funds for which the Group provides operating services	11,272	13,467	13,564	(16.3)	(16.9)
Other assets under management[2]	21,563	18,031	17,732	19.6	21.6

(1) Value of securities portfolios for which the Bank is custodian, held by customers, including securities of provident funds and mutual funds for which the Group provides operating services. Note that customer activity as presented includes, in addition to securities of mutual funds as aforesaid, also the value of participation units in said mutual funds held by Bank customers.
(2) Including:
- Loan balances secured by deposits whose repayment to the depositor is contingent upon collection of the loan balance. The Bank receives margin or commission revenues with respect to these balances.
- Other loans managed by the Bank, including residential mortgages which the Bank manages and operates for others.

Financial information by operating segment

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

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

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

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

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

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

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

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

Supervisory segment definition.

Explanation of differences between "supervisory" definition and how business is actually managed (under "management approach").

Segment financial results (under "supervisory approach").

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

For more information and detailed description of the segments, see chapter "Other information about the Bank and its management" of the 2021 annual report.

Financial information by supervisory operating segment

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

	Net profit		Percentage of total net profit	
	Nine months		Nine months	
	2022	2021	2022	2021
Private individuals:				
Households – residential mortgages	766	819	22.6	32.6
Households – other	46	(18)	1.4	-
Private banking	68	38	2.0	1.5
Total individuals	**880**	**839**	**26.0**	**33.4**
Business operations:				
Small and micro businesses	487	428	14.4	17.0
Medium businesses	93	105	2.8	4.2
Large businesses	233	231	6.9	9.2
Institutional investors	42	27	1.2	1.1
Total business activity	**855**	**791**	**25.3**	**31.5**
Financial management	1,491	787	44.0	31.4
Total activity in Israel	**3,226**	**2,417**	**95.3**	**96.3**
Overseas activity	159	92	4.7	3.7
Total	**3,385**	**2,509**	**100.0**	**100.0**

Household Segment

Supervisory definition

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

Differences between management approach and supervisory definition

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

Operating results in the household segment

	For the nine months ended September 30					
	2022			2021		
	NIS in millions					
	Other	Residential mortgages	Total	Other	Residential mortgages	Total
Profit and profitability						
Total interest revenues, net	1,399	1,823	3,222	1,080	1,670	2,750
Non-interest financing revenues	-	-	-	2	-	2
Commissions and other revenues	546	110	656	504	105	609
Total revenues	**1,945**	**1,933**	**3,878**	**1,586**	**1,775**	**3,361**
Expenses (income) with respect to credit losses	52	88	140	(33)	(92)	(125)
Operating and other expenses	1,724	687	2,411	1,591	625	2,216
Profit before provision for taxes	169	1,158	1,327	28	1,242	1,270
Provision for taxes	57	392	449	10	423	433
After-tax profit	112	766	878	18	819	837
Net profit:						
Attributable to non-controlling interests	(66)	-	(66)	(36)	-	(36)
Attributable to shareholders of the banking corporation	**46**	**766**	**812**	**(18)**	**819**	**801**
Balance sheet – key items:						
Loans to the public (end balance)	27,076	193,630	220,706	25,725	169,763	195,488
Loans to the public, net (end balance)	26,634	192,772	219,406	25,473	168,915	194,388
Deposits from the public (end balance)	124,530	-	124,530	118,433	-	118,433
Average balance of loans to the public	25,363	186,000	211,363	24,155	162,883	187,038
Average balance of deposits from the public	121,433	-	121,433	117,801	-	117,801
Average balance of risk assets	23,527	106,273	129,800	22,695	94,595	117,290
Credit spreads and deposit spreads:						
Margin from credit granting operations	751	1,753	2,504	716	1,583	2,299
Margin from activities of receiving deposits	643	-	643	339	-	339
Other	5	70	75	25	87	112
Total interest revenues, net	**1,399**	**1,823**	**3,222**	**1,080**	**1,670**	**2,750**

Contribution of residential mortgage activity in the household segment (in conformity with supervisory definitions) to Group profit in the first nine months of 2022 amounted to NIS 766 million, compared to NIS 819 million in the corresponding period last year.

The change in segment contribution was primarily due to the following:

Current increase by NIS 153 million in financing revenues in this segment, compared to the corresponding period last year, due inter alia to increase in residential mortgages, and conversely, expenses with respect to credit losses amounting to NIS 88 million, compared to revenues of NIS 92 million in this item in the corresponding period last year.

Contribution of other household operations (other than residential mortgages) in the first nine months of 2022 amounted to profit of NIS 46 million, compared to loss of NIS 18 million in the corresponding period last year.

The increase is primarily due to increase in financing revenues by NIS 317 million compared to the corresponding period last year, due to increase in current activity in this segment, along with expenses with respect to credit losses amounting to NIS 52 million, compared to revenues amounting to NIS 33 million in the corresponding period last year.

The increase in commissions and other revenues and in operating expenses is due to increase in current operations.

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

	For the three months ended September 30					
			2022			2021
						NIS in millions
	Other	Residential mortgages	Total	Other	Residential mortgages	Total
Profit and profitability						
Total interest revenues, net	603	611	1,214	360	580	940
Non-interest financing revenues	-	-	-	2	-	2
Commissions and other revenues	173	43	216	165	33	198
Total revenues	**776**	**654**	**1,430**	**527**	**613**	**1,140**
Expenses (income) with respect to credit losses	20	36	56	(2)	(10)	(12)
Operating and other expenses	602	244	846	522	193	715
Profit before provision for taxes	154	374	528	7	430	437
Provision for taxes	53	128	181	2	145	147
After-tax profit	101	246	347	5	285	290
Net profit:						
Attributable to non-controlling interests	(34)	-	(34)	(13)	-	(13)
Attributable to shareholders of the banking corporation	**67**	**246**	**313**	**(8)**	**285**	**277**
Balance sheet – key items:						
Loans to the public (end balance)	27,076	193,630	220,706	25,725	169,763	195,488
Loans to the public, net (end balance)	26,634	192,772	219,406	25,473	168,915	194,388
Deposits from the public (end balance)	124,530	-	124,530	118,433	-	118,433
Average balance of loans to the public	25,563	192,862	218,425	24,523	167,643	192,166
Average balance of deposits from the public	123,913	-	123,913	120,337	-	120,337
Average balance of risk assets	23,475	109,765	133,240	22,969	97,282	120,251
Credit spreads and deposit spreads:						
Margin from credit granting operations	257	593	850	239	548	787
Margin from activities of receiving deposits	346	-	346	112	-	112
Other	-	18	18	9	32	41
Total interest revenues, net	**603**	**611**	**1,214**	**360**	**580**	**940**

Private Banking Segment

Supervisory definition

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

Differences between management approach and supervisory definition

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

Operating results in the private banking segment

	For the nine months ended September 30		For the three months ended September 30	
	2022	2021	2022	2021
	NIS in millions			
Profit and profitability				
Total interest revenues, net	102	62	49	20
Non-interest financing revenues	-	-	-	-
Commissions and other revenues	17	18	3	6
Total revenues	**119**	**80**	**52**	**26**
Expenses (income) with respect to credit losses	1	(1)	1	3
Operating and other expenses	15	23	4	7
Profit (loss) before provision for taxes	103	58	47	16
Reduction of provision for taxes	35	20	16	5
Net profit (loss)	**68**	**38**	**31**	**11**
Balance sheet – key items:				
Loans to the public (end balance)	140	142	140	142
Loans to the public, net (end balance)	138	140	138	140
Deposits from the public (end balance)	24,985	21,472	24,985	21,472
Average balance of loans to the public	136	226	162	148
Average balance of deposits from the public	22,827	21,028	23,935	21,426
Average balance of risk assets	68	103	66	61
Credit spreads and deposit spreads:				
Margin from credit granting operations	1	1	-	-
Margin from activities of receiving deposits	98	56	48	19
Other	3	5	1	1
Total interest revenues, net	**102**	**62**	**49**	**20**

Operating results of the private banking segment (in conformity with the supervisory definitions) in the first nine months of 2022 amounted to profit of NIS 68 million, compared to profit of NIS 38 million in the corresponding period last year.

The change is due to increase in current activity.

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

Small and micro business segment

Supervisory definition

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

Differences between management approach and supervisory definition

- According to management approach, business customers with liquid assets in excess of NIS 8 million are assigned to the private banking segment. According to the supervisory segment approach, these customers are classified under small and micro business segment based on their annual business turnover.
- Business customers currently attributed to commercial banking using the management approach and whose annual turnover is lower than NIS 50 million, are classified to the micro and small business segment using the supervisory approach.

Operating results in the small and micro business segment

	For the nine months ended September 30		For the three months ended September 30	
	2022	2021	2022	2021
	NIS in millions			
Profit and profitability				
Total interest revenues, net	1,263	1,017	496	353
Non-interest financing revenues	-	4	-	1
Commissions and other revenues	434	394	150	135
Total revenues	**1,697**	**1,415**	**646**	**489**
Expenses (income) with respect to credit losses	56	(48)	31	(11)
Operating and other expenses	896	808	321	297
Profit before provision for taxes	745	655	294	203
Provision for taxes	252	223	101	68
After-tax profit	**493**	**432**	**193**	**135**
Net profit attributed to non-controlling interests	(6)	(4)	(2)	(2)
Net profit attributable to shareholders of the banking corporation	**487**	**428**	**191**	**133**
Balance sheet – key items:				
Loans to the public (end balance)	35,664	31,229	35,664	31,229
Loans to the public, net (end balance)	34,760	30,717	34,760	30,717
Deposits from the public (end balance)	57,378	49,341	57,378	49,341
Average balance of loans to the public	32,948	30,160	34,406	31,170
Average balance of deposits from the public	54,301	46,468	56,413	47,678
Average balance of risk assets	29,928	27,537	31,892	27,359
Credit spreads and deposit spreads:				
Margin from credit granting operations	980	883	340	306
Margin from activities of receiving deposits	250	89	145	29
Other	33	45	11	18
Total interest revenues, net	**1,263**	**1,017**	**496**	**353**

Contribution of the small and micro business segment (in conformity with the supervisory definitions) to Group profit in the first nine months of 2022 amounted to NIS 487 million, compared to NIS 428 million in the corresponding period last year.

The increase is primarily due to increase in segment operations, increase by NIS 2.7 billion and NIS 7.8 billion in average balance of loans and deposits, respectively. Conversely, expenses with respect to credit losses increased and amounted to NIS 56 million in the first nine months of 2022, primarily due to adjustment of the group-based provision to growth of the loan portfolio, compared to revenues amounting to NIS 48 million in the corresponding period last year, primarily due to the gradual emergence from the Corona Virus crisis.

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

Medium business segment

Supervisory definition

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

Differences between management approach and supervisory definition

- The commercial banking segment, according to management approach, includes businesses with turnover between NIS 30 million and NIS 120 million. This means that some commercial banking customers (under management approach) whose turnover is below NIS 50 million are classified to the micro and small business segment using the supervisory operating segments.
- On the other hand, business customers attributed to the business banking segment using the management approach and whose annual turnover is lower than NIS 250 million, are attributed to the medium business segment using the supervisory approach.
- In general, in recent years new customers are classified in conformity with the supervisory definition, resulting in better alignment of the management approach with the supervisory approach, as noted above.

Operating results of medium business segment

	For the nine months ended September 30		For the three months ended September 30	
	2022	2021	2022	2021
	NIS in millions			
Profit and profitability				
Total interest revenues, net	307	253	110	79
Non-interest financing revenues (expenses)	(1)	(1)	-	(1)
Commissions and other revenues	77	85	26	27
Total revenues	**383**	**337**	**136**	**105**
Expenses (income) with respect to credit losses	53	8	28	(12)
Operating and other expenses	190	170	67	62
Profit before provision for taxes	140	159	41	55
Provision for taxes	47	54	14	19
Net profit	**93**	**105**	**27**	**36**
Balance sheet – key items:				
Loans to the public (end balance)	12,357	9,539	12,357	9,539
Loans to the public, net (end balance)	12,153	9,322	12,153	9,322
Deposits from the public (end balance)	14,156	14,396	14,156	14,396
Average balance of loans to the public	11,279	9,426	11,765	9,024
Average balance of deposits from the public	14,196	15,565	13,712	14,493
Average balance of risk assets	13,487	11,675	13,716	11,809
Credit spreads and deposit spreads:				
Margin from credit granting operations	247	212	81	67
Margin from activities of receiving deposits	54	32	28	10
Other	6	9	1	2
Total interest revenues, net	**307**	**253**	**110**	**79**

Operating results of the medium business segment (in conformity with supervisory definitions) in the first nine months of 2022 amounted to loss of NIS 93 million, compared to profit of NIS 105 million in the corresponding period last year.
The decrease is primarily due to increase in expenses with respect to credit losses, amounting to NIS 53 million compared to NIS 8 million in the corresponding period last year. Total financing revenues increased by NIS 54 million, primarily due to growth in this segment.

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

Large business segment

Supervisory definition

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

Differences between management approach and supervisory definition

- The business banking segment, according to management approach, includes businesses with turnover in excess of NIS 120 million. This means that some business banking customers (under the management approach) whose turnover is below NIS 250 million are classified to the medium business segment using the supervisory approach.
- Institutional investors, which according to management approach are managed under business banking, are presented as a separate segment according to supervisory operating segments.
- In general, in recent years new customers are classified in conformity with the supervisory definition, except for institutional investors, as noted above, resulting in better alignment of the management approach with the supervisory approach, as noted above.

Operating results of large business segment

	For the nine months ended September 30		For the three months ended September 30	
	2022	2021	2022	2021
	NIS in millions			
Profit and profitability				
Total interest revenues, net	554	433	213	137
Non-interest financing revenues	1	2	-	1
Commissions and other revenues	145	120	45	43
Total revenues	**700**	**555**	**258**	**181**
Expenses (income) with respect to credit losses	77	(64)	41	(7)
Operating and other expenses	271	268	92	77
Profit before provision for taxes	352	351	125	111
Provision for taxes	119	120	43	37
Net profit	**233**	**231**	**82**	**74**
Balance sheet – key items:				
Loans to the public (end balance)	27,792	19,625	27,792	19,625
Loans to the public, net (end balance)	27,457	19,346	27,457	19,346
Deposits from the public (end balance)	38,024	35,558	38,024	35,558
Average balance of loans to the public	26,382	20,004	28,814	16,196
Average balance of deposits from the public	36,852	35,407	37,812	27,247
Average balance of risk assets	36,445	29,872	38,135	30,484
Credit spreads and deposit spreads:				
Margin from credit granting operations	435	366	159	117
Margin from activities of receiving deposits	90	36	44	13
Other	29	31	10	7
Total interest revenues, net	**554**	**433**	**213**	**137**

Contribution of the large business segment (in conformity with the supervisory definitions) in the first nine months of 2022 amounted to profit of NIS 233 million, compared to NIS 231 million in the corresponding period last year.

Financing revenues amounted to NIS 555 million, compared to NIS 435 million in the corresponding period last year. The increase is primarily due To growth in total loans in current operations.

Conversely, expenses with respect to credit losses amounted to NIS 77 million, primarily due to adjustment of the group-based provision to growth in the loan portfolio, compared to revenues amounting to NIS 64 million in the corresponding period last year, when the provision was primarily affected by the gradual emergence from the Corona Virus crisis.

The increase in commissions and other revenues and in operating expenses is due to increase in current operations.

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

Institutional investors segment

Supervisory definition

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

Differences between management approach and supervisory definition

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

Operating results of institutional investors segment

	For the nine months ended September 30		For the three months ended September 30	
	2022	**2021**	**2022**	**2021**
	NIS in millions			
Profit and profitability				
Total interest revenues, net	162	85	78	28
Non-interest financing revenues	-	4	-	2
Commissions and other revenues	38	34	12	7
Total revenues	**200**	**123**	**90**	**37**
Expenses (income) with respect to credit losses	1	(27)	2	(1)
Operating and other expenses	136	109	50	32
Profit before provision for taxes	63	41	38	6
Provision for taxes	21	14	13	2
Net profit	**42**	**27**	**25**	**4**
Balance sheet – key items:				
Loans to the public (end balance)	3,778	1,786	3,778	1,786
Loans to the public, net (end balance)	3,773	1,768	3,773	1,768
Deposits from the public (end balance)	79,194	60,730	79,194	60,730
Average balance of loans to the public	1,933	1,724	1,785	1,764
Average balance of deposits from the public	63,534	51,974	67,310	57,576
Average balance of risk assets	2,265	2,511	3,053	2,506
Credit spreads and deposit spreads:				
Margin from credit granting operations	21	19	7	7
Margin from activities of receiving deposits	130	46	71	15
Other	11	20	-	6
Total interest revenues, net	**162**	**85**	**78**	**28**

Contribution of the institutional investor segment (in conformity with supervisory definitions) in the first nine months of 2022 amounted to a profit of NIS 42 million, compared to a profit of NIS 27 million in the corresponding period last year.

The increase is primarily due to increase in deposits from the public, amounting to NIS 11.6 billion, offset by the effect of change in expenses with respect to credit losses, which amounted to NIS 1 million, compared to revenues amounting to NIS 27 million in the corresponding period last year.

The increase in commissions and other revenues and in operating expenses is due to growth in current operations.

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

Financial management segment

Supervisory definition

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

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

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

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

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

Differences between management approach and supervisory definition

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

Operating results of financial management segment

	For the nine months ended September 30		For the three months ended September 30	
	2022	**2021**	**2022**	**2021**
	NIS in millions			
Profit and profitability				
Interest revenues (expenses), net	1,472	974	450	391
Non-interest financing revenues	473	302	194	56
Commissions and other revenues	718	345	124	124
Total revenues	**2,663**	**1,621**	**768**	**571**
Expenses with respect to credit losses	-	-	-	-
Operating and other expenses	385	361	130	127
Profit before provision for taxes	2,278	1,260	638	444
Provision for taxes	771	429	220	151
After-tax profit	1,507	831	418	293
Share of banking corporation in earnings of associated companies	4	(10)	2	1
Net profit before attribution to non-controlling interests	1,511	821	420	294
Net profit attributed to non-controlling interests	(20)	(34)	(2)	(11)
Net profit attributable to shareholders of the banking corporation	**1,491**	**787**	**418**	**283**
Balance sheet – key items:				
Average balance of risk assets	12,974	11,885	12,904	11,878
Credit spreads and deposit spreads:				
Margin from credit granting operations	-	-	-	-
Margin from activities of receiving deposits	-	-	-	-
Other	1,472	974	450	391
Total interest revenues, net	**1,472**	**974**	**450**	**391**

Operating results of the financial management segment (in conformity with the supervisory definitions) in the first nine months of 2022 amounted to profit of NIS 1,491 million, compared to NIS 787 million in the corresponding period last year.

The increase is primarily due to increase in financing revenues, primarily due to effect of the higher Consumer Price Index, and to increase in commissions and other revenues, primarily due to capital gain from realized real estate properties in the first quarter of 2022, amounting to NIS 371 million.

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

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

Overseas activity

Supervisory definition

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

Differences between management approach and supervisory definition

Business customers and individual customers at overseas branches, classified under various operating segments based on the management approach, are classified under the overseas activity segment in disclosure of supervisory operating segments.

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

Operating results overseas

	For the nine months ended September 30		For the three months ended September 30	
	2022	2021	2022	2021
	NIS in millions			
Profit and profitability				
Total interest revenues, net	206	153	81	53
Non-interest financing revenues	83	5	69	2
Commissions and other revenues	20	33	3	11
Total revenues	**309**	**191**	**153**	**66**
Expenses (income) with respect to credit losses	13	(6)	(4)	4
Operating and other expenses	55	58	19	22
Profit before provision for taxes	241	139	138	40
Provision for taxes	82	47	47	13
Net profit	**159**	**92**	**91**	**27**
Balance sheet – key items:				
Loans to the public (end balance)	6,471	4,096	6,471	4,096
Loans to the public, net (end balance)	6,417	4,061	6,417	4,061
Deposits from the public (end balance)	7,072	3,991	7,072	3,991
Average balance of loans to the public	4,974	3,433	5,584	3,531
Average balance of deposits from the public	4,938	4,058	5,282	3,790
Average balance of risk assets	6,552	4,853	7,526	4,895
Credit spreads and deposit spreads:				
Margin from credit granting operations	167	47	68	19
Margin from activities of receiving deposits	4	3	-	-
Other	35	103	13	34
Total interest revenues, net	**206**	**153**	**81**	**53**

Contribution of overseas operations to Group profit in the first nine months of 2022 amounted to NIS 159 million, compared to NIS 92 million in the corresponding period last year.

The increase is primarily due to loans to the public.

Last year, profit included capital gain amounting to NIS 14 million from sale of the subsidiary United Mizrahi Bank (Switzerland) Limited in the second quarter of 2021.

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

Principal investee companies

The contribution of investees to net operating profit in the first nine months of 2022 amounted to NIS 403 million, compared with NIS 274 million in the corresponding period last year.

Union Bank Le-Israel Ltd. (hereinafter: " Union Bank")

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

On September 30, 2020, the transaction between controlling shareholders of Union Bank and Bank Mizrahi-Tefahot closed, whereby shares of Union Bank held by the controlling shareholders were acquired against issuance of Mizrahi Tefahot shares and acquisition of the other shareholders' shares has been completed. As from this date, the Bank holds all of the share capital of Union Bank and therefore the Bank has control over Union Bank. For more information, see Note 35 to the 2021 financial statements.

Contribution of Union Bank to Group profit in the first nine months of 2022 amounted to NIS 233 million (Union Bank profit includes, other than current profit, also profit from realized assets), as well as NIS 162 million with respect to acquisition of Union Bank which is recognized on profit and loss over 5 years as from the fourth quarter of 2020.

Bank Yahav's reported total assets as of September 30, 2022 amounted to NIS 22,722 million, compared to NIS 34,620 million as of December 31, 2021 – a decrease by NIS 11,898 million, or 34.4%. Net loans to the public reported as of September 30, 2022 amounted to NIS 12,168 million, compared to NIS 18,592 million as of December 31, 2021 – a decrease by NIS 6,424 million, or 34.6%, net deposits from the public reported as of September 30, 2022 amounted to NIS 3,751 million, compared to NIS 24,822 million as of December 31, 2021 – a decrease by NIS 21,071 million, or 84.9%, due to gradual transfer of lending operations from Union Bank to Mizrahi Tefahot.

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

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

The Group's share of Bank Yahav's net profit in the first nine months of 2022 amounted to NIS 92 million, compared to NIS 74 million in the corresponding period last year. Bank Yahav's net profit return on equity in the first nine months of 2022 was 12.3% on annualized basis, compared to 11.2% in the corresponding period last year.

Bank Yahav's balance sheet total as of September 30, 2022 amounted to NIS 35,277 million, compared to NIS 33,759 million as of December 31, 2021 – an increase by NIS 1,518 million, or 4.5%. Net loans to the public as of September 30, 2022 amounted to NIS 11,799 million, compared to NIS 11,129 million as of December 31, 2021 – an increase by NIS 670 million, or 6.0%. Net deposits from the public as of September 30, 2022 amounted to NIS 31,409 million, compared to NIS 29,991 million as of December 31, 2021 – an increase by NIS 1,418 million, or 4.7%.

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

Tefahot Insurance agency is an insurance agency wholly-owned by the Bank, engaged in sale of life insurance and property insurance policies to mortgage customers of the Bank. Net profit of Tefahot Insurance Agency in the first nine months of 2022 amounted to NIS 58 million, compared to NIS 49 million in the corresponding period last year.

Net profit return on equity in the first nine months of 2022 was 5.5%, compared to 5.3% in the corresponding period last year.

Other investee companies operating in Israel

Other investees operating in Israel, wholly controlled by the Bank and supported by Bank infrastructure, contributed to the Bank's net profit in the first nine months of 2022 NIS 10 million – compared to NIS 14 million in the corresponding period last year.

Investments in shares

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

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

Bank investments in shares as of September 30, 2022 amounted to NIS 782 million, compared to NIS 692 million and NIS 795 million as of September 30, 2021 and as of December 31, 2021, respectively. Bank net investment in shares in the first nine months of 2022 amounted to a loss of NIS 38 million (primarily due to impairment), compared to profit of NIS 101 million in the corresponding period last year.

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

Risks overview

This chapter provides a concise overview and analysis of developments of key risks to which the Bank is exposed. This chapter should be read, as needed, in conjunction with the chapter "Risks overview" in the 2021 audited annual financial statements. A detailed Risks Management Report which includes disclosure requirements of Basel Pillar 3 and additional information about risks, provided based on recommendations by the Financial Stability Board (FSB) is provided on the Bank website.

Risk development and management

Bank and Group current business activity in diverse on- and off-balance sheet products and financial instruments is exposed to various financial and non-financial risks, whose materialization has potential to impact the Bank's financial results or image. The key financial risks managed by the Bank are: Credit risk, including concentration risk, liquidity risk and market and interest risk. Along with financial risks, Bank operations are also involved with non-financial risks, such as: compliance and regulatory risk, operational risk, IT risk, information and cyber security risk, legal risk, reputational risk and other risks, such as: climate and environmental risk, business model risk and sector competition. The risks management and control policies, in various aspects, is designated to support achievement of the Group’s business goals while limiting exposure to such risks. Risks management and control processes at the Bank and at the Group are designed to identify, manage, monitor, quantify and mitigate all material risks associated with Bank operations and to support achievement of the Bank's business objectives.

In the third quarter of 2022 there was no material change to risk assessment and to risk profile of the Bank. Risk levels remained un-changed from previous quarters, but changes to the macro-economic environment, market volatility and uncertainty regarding the development and impact thereof on the Bank may affect credit and financial risks, and therefore the Bank closely monitors the risk levels.

In the third quarter of 2022, the overall effect of credit risk and risk associated with quality of borrowers and collateral remained Medium, with a continued downward trend in effects of the Corona Virus pandemic on economic activity in Israel, but there is still uncertainty with regard to potential future implications on business and economic activity. The Bank continues to monitor these effects. However, the continued Russia-Ukraine war and changes to the macro-economic environment in Israel and world-wide increase uncertainty in the market. Interest rates continue to rise and inflation in Israel and world-wide continues to be high, primarily due to fluctuations in energy and commodity prices around the world. These changes may also affect Bank operations, increase borrowing costs and affect credit risk management. Due to uncertainty with regard to developments in the macro-economic environment and their impact on the Bank. The Bank continues to closely monitor the potential impact of such changes on Bank operations.

Macro-economic changes, including effect of the Corona Virus outbreak

The Israeli economy was positive in the third quarter of 2022, despite the slow-down in the global economy, which was impacted by the war in Ukraine, by lock-downs imposed in China due to renewed morbidity waves and by higher inflation and interest rate increases by central banks, which increased uncertainty in the markets. The interest rates in Israel has been increased significantly, up to 2.75% at end of October 2022.

The Bank is in a state of high readiness for business continuity in case of emergency. In the third quarter of 2022, the Bank maintained business continuity under a routine state of alert and continues to monitor morbidity at the Bank and to maintain all emergency systems ready for any renewed outbreak.

Russia – Ukraine crisis

In February 2022, the Russia-Ukraine war started. This continued war brought about market fluctuations and higher energy and commodity prices world-wide. There is uncertainty with regard to further development of the war and its implications for markets and for economic activity, including those of Bank customers. Bank management monitors the developments and would take action as required. The Bank continues to monitor the sanction list (including sector-specific sanctions) published with regard to this conflict by the USA, EU and the UK and applies these as part of the Bank's risk management policy.

Union Bank merger

On September 30, 2020, the Bank completed the proposed exchange tender for Union Bank shares and acquired 100% of the issued and paid-in share capital of Union Bank and of voting rights in Union Bank.

For more information see chapter "Significant developments in management of Bank business" above.

Update to Proper Conduct of Banking Business Directive 451 regarding "Procedures for extending residential mortgages"

On January 31, 2022, the Bank of Israel issued an update regarding procedures for extending residential mortgages (update to Proper Conduct of Banking Business Directive 451), designed to enhance transparency and to aid customers in making informed decisions in the process of obtaining a mortgage. The update to the Directive refers to multiple aspects, including: Simplicity to enhance customer understanding, transparency and uniformity of information for the customer, to enable comparison of offers from multiple banks, online tools to be used by the customer and shorter time frame for providing approval in principle.

The Directive specifies 3 uniform baskets which banking corporations are required to offer to customers in the approval in principle, and the bank is allowed to offer one or more tracks without restrictions imposed by the Bank of Israel. based on the bank's discretion as to the mix appropriate for the customer. The amendments to the directive also include an instruction to banking corporations to provide to the public an online calculator which allows for simulation of various loan mixes over various time frames, including the uniform tracks stipulated in the directive, so as to obtain an estimate of the impact of changes to the loan mix on the monthly payment and total amount payable throughout the loan term. Calculated loan repayments would include estimated effect of inflation and interest rate updates under the variable interest tracks, in conformity with forecasts based on the capital market with regard to future developments of these parameters.

The effective start date of the revisions to this directive is August 31, 2022. The Bank applies this directive as from said date.

Risks description

The Bank is engaged in commercial banking operations (business and retail) and in mortgage operations, where the Bank is a leader in the Israeli banking system.

Credit risk is the primary risk faced by banking corporations in the course of their business. At the Bank, credit risk is primarily due to retail credit operations, mainly residential mortgages, which are typically associated with relatively low risk. The Bank monitors and manages risk in the loan portfolio using various tools, including by development and deployment of internal models for assessment of customer credit ratings. For more details see chapter "Credit risk" below.

In the business sector, the Bank operates while regularly assessing risk at customer level, at sector level and for the economy as a whole (sector concentration). Operations in this area have been affected in recent years by expanded operations of institutional investors and insurance companies, which are focused on providing large-scale credit for long terms.

In conformity with the Supervisor of Banks' directives, the minimum regulatory required liquidity coverage ratio is 100%. The Bank maintains high liquidity ratios with appropriate safety margins and a stable source structure.

The Bank has low exposure to overseas operations, as are its operations in nostro investments, primarily designed for investment of excess liquidity in high-quality assets with minimal credit risk.

Developments in technology and ever increasing sophistication of those involved in cyber attacks result in higher risk, as well as more intense management and monitoring of operational risks, IT risks and information and cyber security risks.

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 to support management and control of such risks. Risks management at the Group is conducted from a comprehensive viewpoint of Bank operations in Israel and at overseas affiliates and in conformity with directives of the Supervisor of Banks with regard to risk management and control, as set forth in Proper Conduct of Banking Business Directives and in particular, in Directive 310 "Risk management" by the Bank of Israel, and in conformity with the framework set forth in Basel Pillar II, including the required changes as Basel III became effective.

The Bank’s Board of Directors and the Board’s Risks Management Committee are responsible for setting the required principles for management and control of the various risks to which the Bank is exposed in its operations, including setting risk strategy and setting the risk appetite in conformity with the Bank's overall strategy, as well as supervision of Bank compliance with the specified guidelines and risk appetite.

Bank management is committed to regular management of material risks to which the Bank is exposed and to implementation of principles stipulated by the Bank’s Board of Directors for addressing such risks.

The Bank has a structured process in place for mapping and identification of risks associated with Bank operations, based on a materiality threshold, expressed in terms of percentage of Bank capital. Guidelines for handling of material risks, as identified and mapped, including risk appetite, measurement, management and mitigation of each risk, are included in special policies documents.

Description of risk appetite and risks management

The risk appetite defines, at the highest level, the overall risk level which the Bank is willing to assume. The risk appetite specifies where the Bank wishes to be in terms of return (proceeds/reward) vs. risk (cost) from a forward-looking viewpoint. The Bank's risk appetite is specified for all material risks using quantitative and qualitative restrictions; the quantitative restrictions are mostly specified as percentage of Tier I shareholder equity at the Bank. Risk appetite is defined for most risks in the normal course of business and under stress scenarios, based on the outcome of various stress scenarios applied by the Bank, and in line with the Bank's risk strategy and on basic principles of the Bank's business and strategic plan and on the required liquidity and capital for achieving the strategic objectives. Each year, the risk appetite is challenged by the Chief Risks Officer, management and the Board of Directors, in view of the business targets specified in work plans, in conformity with the strategic plan, the risk profile and outcome of the qualitative risk management assessment process conducted by Bank managers. This process is designed to review the level of various risks and their expected development over the coming year. Consequently, the Bank's business strategy is supported by an appropriate risk appetite framework with constant monitoring of the risk profile and with alerts issued if the risk profile reaches the specified limits for risk appetite.

Use of stress scenarios in risk management

Stress scenarios are risk management techniques used to assess Bank exposure to risks, both currently and from a forward-looking viewpoint. Stress scenarios allow the Bank to understand the impact of various stress events on Bank stability and provide an additional integral tool to approaches, benchmarks and models used in risk management. The outcome of stress scenarios are used by the Bank to challenge the risk appetite and capital planning, to identify significant risk concentrations and weaknesses in the portfolio, provide a tool to support business decision making and provide an additional tool for risks measurement in quantitative models for identification of risks not identified by the models. The Bank has a diverse range of methodologies for conducting stress scenarios, calculated to assess the potential impact of various risks to the Bank's business and financial targets.

The primary uses of stress scenarios and guidelines for setting them are specified in the policy document "General framework policy for risk management and control". The Bank extensively uses the results of stress scenarios to estimate the potential impact of various risks to the Bank's business and financial targets, as part of the capital planning process and the ICAAP document.

ICAAP process (Internal Capital Adequacy Assessment Process)

ICAAP is a process for assessment of internal capital (Pillar 2 of capital assessment in conformity with the Basel directives), designed to ensure that overall capital at the Bank is in line with its risk profile, specified capital targets and business targets, in conformity with the work plan and with current capital planning. This is done both in the normal course of business and under stress scenarios. Moreover, this pillar includes qualitative assessment processes for the level of various risks, their management, creation of the risk map and identification of risk hubs.

The ICAAP document is extensively discussed and approved by Bank management, Board committees (Risks Management Committee and Audit Committee) and by the Board of Directors plenum. The document was submitted to the Bank of Israel in late 2021 and includes qualitative and quantitative references to all risk aspects at the Bank.

This document consists of several chapters which describe corporate governance for risks management at the Bank, concise qualitative and quantitative analysis of material risks to the Bank, the capital targets, current risk profile and outlook for 2021, as well as developments during the year in conformity with the risk self assessment process and presentation of the Bank's overall risk map. Note that capital planning and risk assessment in the annual ICAAP document include the effects of the Union Bank merger, as well as reference to the individual risk profile of Union Bank, as part of the Group risk outlook.

The key part of the ICAAP document is the internal capital planning process, applied to a three-year forward planning horizon, from June 30, 2021 through June 30, 2024. This framework was used to calculate the required capital allocation with respect to each of the risks, from the requirements specified in Pillar 1 with additional capital required with respect to Pillar 2. Pillar 2 includes capital allocation for risks not included in Pillar 1, such as: Credit concentration risk and interest risk in the banking portfolio and additional capital allocations with respect to risks included in Pillar 1, but the Bank assumes require additional capital allocation. The capital allocation is calculated both for normal conditions and for stress scenarios. Stress scenarios are applied at variable frequency, intensity and levels, from scenarios at the individual risk level, a system-wide scenario to test concurrent materialization of multiple risks, based on the Bank of Israel Uniform Scenario, and through to application of stressed scenarios. These scenarios are intended to ensure that the Bank has sufficient capital cushions to survive even stressed scenarios, with high impact and very remote likelihood of materializing, and that the Bank is in compliance with the limit on ratio of Tier I equity for the stressed scenario – minimum ratio of 6.5%. The Bank also applies reverse stressed scenarios test (RST) scenarios that consider, based on the Bank's risk profile, which event may bring the Bank close to the Tier I equity limit for the stressed scenario.

The annual internal assessment process at the Bank to review capital adequacy indicates that the Bank has sufficient capital to face the various risks associated with Bank operations, both in the normal course of business and under stress scenarios. Over the entire planning period, the Bank has available total capital higher than the total capital required by ICAAP, even after applying stress and stressed scenarios. Moreover, the Tier I capital ratio under the stressed scenario, for each year of the scenario period, does not drop below 6.5%. The 2021 ICAAP document and conclusions thereof were approved by management and by the Bank Board of Directors in December 2021, and were submitted to the Bank of Israel in late 2021.

System-wide scenario

In line with customary world-wide practice, the Supervisor annually conducts a uniform macro-economic stress scenario for the banking system, designed to test bank stability and vulnerabilities in case of a stress event. In 2021, the Supervisor conducted a uniform macro-economic stress scenario. The stress scenario involved a global shock, reflected by slower economic activity and market declines in Israel and around the world. Interest rate increase due to higher inflation, along with a sharp decrease in asset prices, higher unemployment and lower private consumption. Moreover, in late 2022, a significant military operation starts in Israel, resulting in further deterioration in economic activity, which brings about a material lowering of Israel's credit rating (down to BBB), along with changes in the business environment and increased competition with new financial players.

The Supervisor of Banks' 2021 Overview included the outcome of the system-wide uniform stress scenario. The outcome indicates that the banking system is expected to maintain its strength and stability, even under extreme market conditions as tested in the scenario. Banks maintained appropriate capital ratios throughout the scenario, with the Tier I shareholders' equity ratio remaining above 6.5% (the minimum equity required by the Supervisor under a stress scenario). Economic growth and higher inflation and interest rates result in higher net interest revenues in the banking system, due to excess linked assets over linked liabilities across the system. However, this increase is onerous on borrowers, including mortgage borrowers, resulting in higher credit losses.

The results of this scenario show the expected development of the Bank balance sheet, profitability and capital and leverage ratios across the scenario. The Bank's results also indicate strength and stability while maintaining appropriate capital and leverage ratios.

Risk factor severity

The Bank has specified a framework for risks management and control by the Group, which includes mapping of material risks and their materiality threshold, as well as assignment of Risk Owners for all risks. For each risk, the Bank estimates its potential impact on business operations over the coming year.

The table below lists the risk factors, executives appointed as Risk Owner for each one and management assessment of the impact of each risk factor, on a scale of five risk levels: Low, Low-medium, Medium, Medium, Medium-High and High.

The Bank assesses risk levels based on the estimated impact (potential impact) on Bank capital, during the year under scenarios of different magnitudes, under business as usual conditions and under stress conditions, based on the severity levels set forth in the framework policy on risk management. Note that the impact of potential damage on Bank equity is assessed by reviewing both quantitative and qualitative benchmarks, including the quality of risk management, emergency plans in place and the Bank's capacity to rapidly and dynamically respond to minimize damage upon materialization of stress events. The assessment of risk level for each risk is subjective, with some of the risks having clear quantitative benchmarks and other with a more significant subjective assessment. This is in conformity with the Bank's annual ICAAP process and its outcome, including self-assessment of risk levels, quality of risk management processes and risk control, including direction of risk development over the coming year and alignment with work plans of the various departments. These results are extensively discussed by Bank management and Board of Directors.

Risk factor	Effect of the risk factor	Risk owner
Overall effect of credit risks[(1)]	Medium	Manager, Corporate Division
Risk with respect to borrower and collateral quality	Medium	
Risk from industry concentration[(1)]	Low-Medium	
Risk with respect to concentration of borrowers / borrower groups	Low	
Risk with respect to mortgage portfolio	Low	
Overall effect of market risks[(2)]	Low-Medium	Manager, Finance Division
Interest risk	Low-Medium	
Inflation risk	Low-Medium	
Foreign currency risk	Low	
Liquidity risk	Low-Medium	Manager, Finance Division
Overall effect of operational risk	Medium	Manager, Risks Control Division
Cyber and information security risk	Medium	Manager, Risks Control Division
IT risk	Medium	Manager, Mizrahi Tefahot Technology Division Ltd.
Legal risk	Low-Medium	Chief Legal Counsel
Compliance and regulatory risks[(3)]	Low-Medium	Manager, Risks Control Division
Reputation risk[(4)]	Low	Manager, Marketing, Promotion and Business Development Division
Business-strategic risk[(5)]	Low-Medium	President & CEO

(1) Includes concentration in construction and real estate customers sector.
(2) Includes options and shares risk mapped at Union Bank.
(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 business-strategic risk includes the capital planning and management process.

Below are major developments with regard to risk factors during the reported period:

In the third quarter of 2022, there was no significant change in the Bank's risk assessment and risk profile, but changes to the macro-economic environment, market volatility and uncertainty regarding the development and impact thereof on the Bank may affect credit and financial risks, and therefore the Bank closely monitors the risk levels.

In the current quarter, the overall effect of credit risk and risk associated with quality of borrowers and collateral remained Medium.

The downward trend in effects of the Corona Virus pandemic on global and local economic activity continued. There is still some uncertainty with regard to future outbreaks of the virus, its future attributes and potential future impact on business and economic activity. The Bank continues to monitor these effects. However, the continued Russia-Ukraine war and changes to the macro-economic environment in Israel and world-wide increase uncertainty in the market. Interest rates continue to rise and inflation in Israel and world-wide continues to be high, primarily due to fluctuation in energy and commodity prices around the world. These changes may also affect Bank operations, increase borrowing costs and affect credit risk management. Due to uncertainty with regard to developments in the macro-economic environment and their impact on the Bank. The Bank continues to closely monitor the potential impact of such changes on Bank operations from both financial and credit aspects.

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 on extending credit for construction using the financial support method (closed assistance). Most of the credit risk in the construction and real estate sector is backed by real estate fully pledged to secure loan repayment, and for credit not secured by real estate collateral, there is other collateral in place, such as: deposits, securities etc.

In the third quarter of 2022, the Bank continued to expand its lending operations in the construction and real estate sector, with continued growth of these operations achieved while adhering to appropriate underwriting procedures and credit spreads to reflect the risk and is regularly monitored. The Bank assessment is that these operations have no material impact on the Bank's overall credit risk. The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank remained relatively low at 15% (compared to 14.4% in the previous quarter and to 14.7% at end of 2021).

Market risk and interest risk remain Low-Medium; Risk levels measured in the normal course of business and under stress scenarios remain stable compared to the previous quarter, despite further increase in interest rates, higher capitalization curves and market volatility. The Bank monitors the potential impact on Bank operations.

Technology risk and cyber and information security risk are material risks for the Bank, and the potential damage due to materialization of such risk may be significant under normal circumstances, and even more so during emergencies. Technological activity is focused on changing needs in line with the Bank's business strategy, and taking most of the steps to mitigate potential risk in as much as possible. In actual fact, there were no material events related to technology and to cyber and information security. In the third quarter of 2022, a small number of fraud attempts against customers (through a fishing attack) were identified, in which their account credentials were stolen in order to conduct un-authorized transactions in their accounts. Thanks to defensive measures applied by the Bank, despite these fraud attempts, there were no unauthorized transactions in customer accounts. The Bank continues to reinforce the defense mechanisms applied in Bank systems. These actions have kept the risk level un-changed.

In the third quarter of 2022, liquidity risk remained Low-medium. In the quarter, the alert level at the Bank was raised to Yellow, due to the continued war between Russia and the Ukraine and due to market volatility and further interest rate hikes. In practice, no events and/or indications were observed which would indicate realization of a liquidity event. In the third quarter of 2022, the Bank maintained appropriate liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. The average liquidity coverage ratio (consolidated, including data for Union Bank) for the third quarter of 2022 was 119%. Net stable funding ratio (on consolidated basis) as of September 30, 2022 was 116%. No deviations from the risk appetite limitations were recorded.

In May 2022, the Supervisor of Banks granted Union Bank a waiver for application of Proper Conduct of Banking Business Directive 342 "Liquidity risk management" and Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio" and transfer of liquidity management, in effect, to the Bank Mizrahi Tefahot. As from June 1, 2022, liquidity ratio measurement at Bank Mizrahi Tefahot is made on solo basis from a merged viewpoint, i.e. together with Union Bank data. Controls over calculation of these ratios are applied by the second line at Bank Mizrahi Tefahot. The liquidity desk at Union Bank continues to operate and manage regulatory mandatory liquidity and business liquidity at Union Bank, while adhering to internal liquidity limits set by the Bank.

In the first nine months of 2022, reputational risk remained Low. The Bank continues to regularly monitor the impact of the Union Bank merger. To date there was no material impact on the Bank's reputational risk.

In the first nine months of 2022, legal risk remained Low-medium.

The Bank has in place risk identification and measurement processes using diverse methodologies to estimate Bank risk and exposure to various risks, in the normal course of business and under stress scenarios. The Bank applies quantitative measurement methods (models, benchmarks, indicators, sensitivity analysis, scenarios and so forth), as well as qualitative ones (expert assessment and surveys).

Credit risk

Risk description and development thereof

Credit risk is the risk that a borrower or counter party of the Bank would not meet their obligations to the Bank. Credit risk is a material risk for Bank operations. This risk is affected by these major factors: Business risk due to customer activities, concentration risk due to over-exposure to a borrower / borrower group and to economic sectors, geographic concentration risk, risk due to exogenous changes which mostly involve changes to the borrower's macro-economic environment, environmental risks and climate risks, overseas credit risks and operational risks which, should they materialize, would have implications for credit risks. 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 overall effect of commercial credit risk remained unchanged at Medium, similar to the risk level at end of 2021 and in previous quarters.

In the third quarter of 2022, the overall effect of credit risk and risk associated with quality of borrowers and collateral remained Medium, with a continued downward trend in effects of the Corona Virus pandemic on economic activity in Israel and world-wide. However, the continued Russia-Ukraine war and macro-economic changes in Israel and world-wide increase uncertainty in the market. Interest rates continue to rise and inflation in Israel and world-wide continues to be high, primarily due to increased fluctuation in energy and commodity prices around the world. These changes may also affect Bank operations, increase borrowing costs and affect credit risk management. Due to uncertainty with regard to developments in the macro-economic environment and their impact on the Bank, credit risk remains at Medium. The Bank continued to regularly monitor the potential impact of such changes on Bank operations, from both financial and credit aspects.

The risk level in the residential mortgages portfolio remained low. Following the Corona Virus crisis, most borrowers have resumed regular repayment, but with some significant macro-economic changes there is uncertainty with regard to their further development and impact, and in particular the impact of reduced borrower repayment capacity due to higher inflation and interest rates. The Bank continues to regularly monitor the risk in the portfolio, and in particular the impact of higher inflation and interest rates on the portfolio, and tests stressed scenarios to review the impact of a further interest rate increase. Current results indicate no material change to the risk level, but there is uncertainty with regard to further developments and the impact thereof.

Analysis of developments in credit quality and problematic credit risk

Significant exposure to groups of borrowers

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

As of September 30, 2022, the Bank had no borrower group which meets the aforementioned criteria.

For more information about significant exposures to borrower groups, see chapter "Credit Risk" in the Report of the 2021 Report of the Board of Directors and Management.

Major borrowers

Below is the sector composition of the top 6 borrowers for the Group as of September 30, 2022 (NIS in millions):

Borrower no.	Economic sector	On-balance sheet credit risk(1)	Off-balance sheet credit risk(1)	Total credit risk(1)
1.	Financial services	1,216	189	1,405
2.	Civil Engineering Works	104	1,076	1,180
3.	Construction and real estate	389	585	974
4.	Construction and real estate	389	458	847
5.	Power	534	309	843
6.	Construction and real estate	416	380	796

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

Leveraged financing

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

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

"**Equity transaction**": A transaction with one of the following goals:
   - Buyout – purchase or buyback, by the borrower, of the borrower's issued capital (including an employees' stock purchase plan).
   - Acquisition of another corporation – the purchase of any capital rights in another corporation, or the purchase of all, or a significant share, of the assets of another corporation.
   - Capital distribution – the payment of dividends or another transaction whose goal is to increase shareholder value.

   An equity transaction, with regard to leveraged financing, is one where the loan balance exceeds 0.5% of Bank capital and where the LTV ratio exceeds 50%.

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

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

Credit for equity transactions (NIS in millions):

	September 30, 2022				September 30, 2021				December 31, 2021			
Economic sector of acquired company	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**
Construction and real estate	357	2	359	-	570	1	571	-	762	1	763	-
Mining and excavation	531	-	531	-	-	-	-	-	-	180	180	-
Water	166	20	186	-	-	-	-	-	-	-	-	-
Total	1,054	22	1,076	-	570	1	571	-	762	181	943	-

Credit to leveraged companies (NIS in millions):

	September 30, 2022				September 30, 2021				December 31, 2021			
Economic sector of borrower	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**
Construction and real estate	225	116	341	-	25	-	25	-	26	-	26	-
Power	373	158	531	-	100	-	100	-	100	-	100	-
Commerce	140	4	144	-	86	52	138	-	92	46	138	-
Transport and storage	554	51	605	31	115	24	139	60	112	25	137	49
Industry and production	96	40	136	-	-	-	-	-	-	-	-	-
Public and community services	-	-	-	-	167	8	175	-	164	8	172	-
Total	**1,388**	**369**	**1,757**	**31**	**493**	**84**	**577**	**60**	**494**	**79**	**573**	**49**

Developments in problematic credit risk

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

			Total credit risk
	September 30, 2022	**September 30, 2021**	**December 31, 2021**
Problematic credit risk:			
Non-accruing credit risk(1)	2,910	1,362	1,330
Accruing problematic credit risk – non-housing	1,252	982	1,020
Accruing problematic credit risk – housing(1)	130	1,275	1,300
Total problematic credit risk	**4,292**	**3,619**	**3,650**

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

	September 30, 2022	September 30, 2021	December 31, 2021
Non-accruing loans to the public as percentage of total loans to the public	0.9	0.5	0.5
Non-accruing loans to the public as percentage of total non-residential mortgages	1.2	1.3	1.3
Ratio of problematic loans to the public to total non-residential mortgages	2.1	2.3	2.2
Ratio of residential mortgages in arrears 90 days or longer to total loans to the public(2)	0.3	0.5	0.5
Ratio of problematic credit risk to total credit risk with respect to the public	1.1	1.0	1.0

(1) As from the first quarter of 2022, due to application of new directives regarding provisions for credit losses and other directives, residential mortgages in arrears or under re-structuring, which according to the new directives do not accrue interest revenues on the financial statements, previously presented under "Accruing problematic credit risk – housing" are now presented under "Non-accruing credit". Moreover, "Accruing problematic loans to the public – housing" includes loans accruing interest, which are classified as problematic due to lack of qualitative indications.

(2) This non-housing rate is negligible.

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

Below is current data about Bank activities to assist customers, in view of the Corona Virus crisis (NIS in millions):

	As of September 30, 2022							
	Debts subject to repayment deferral				Further details of recorded debt balance of debts subject to deferred repayment			
					Non-problematic debts			
	Recorded debt balance	Number of Borrowers	Payment amounts deferred	Problematic debts	Debts not at performing credit rating	Debts at performing credit rating, in arrears 30 days or longer	Debts at performing credit rating, not in arrears	Total non-problematic debts
Total residential mortgages as of September 30, 2022	4,407	5,081	511	131	89	50	4,137	4,276
Total residential mortgages as of December 31, 2021	6,120	7,430	677	272	128	102	5,618	5,848
Total residential mortgages as of September 30, 2021	6,233	7,566	693	285	130	96	5,722	5,948

	As of September 30, 2022			
	Further details of debts subject to repayment deferral, by repayment deferral period(1)		Debt for which the payment deferral period has expired, as of the report date	
	Non-problematic debts			
	Debts subject to deferral of 3 to 6 months	Debts subject to deferral of 6 months or longer	Recorded debt balance	Of which: In arrears 30 days or longer
Total residential mortgages as of September 30, 2022	30	4,245	30,022	618
Total residential mortgages as of December 31, 2021	82	5,766	32,775	604
Total residential mortgages as of September 30, 2021	84	5,856	34,639	613

(1) The repayment deferral period is the cumulative deferral period granted to debt since the start of the Corona Virus crisis, excluding any deferral to which the borrower is entitled by law.

Analysis of change to non-accruing debts

Below is the movement in non-accruing debts and non-accruing debt under restructuring (NIS in millions):

	For the nine months ended September 30, 2022				For the nine months ended September 30, 2021				For the year ended December 31, 2021			
Movement in non-accruing loans to the public	**Commercial**	**Residential**	**Individual**	**Total**	**Commercial**	**Residential**	**Individual**	**Total**	**Commercial**	**Residential**	**Individual**	**Total**
Non-accruing loans to the public – balance at start of period	1,193	-	56	1,249	1,423	-	68	1,491	1,423	-	68	1,491
Effect of initial application of rules for identification and classification of problematic debts(1)	-	1,464	-	1,464	-	-	-	-	-	-	-	-
Loans classified as non-accruing during the period	433	325	68	826	485	-	18	503	460	-	26	486
Loans resuming accrual of interest revenues during the period	(59)	(216)	(35)	(310)	(317)	-	(3)	(320)	(315)	-	(5)	(320)
Loans subject to accounting write-off	(92)	-	(6)	(98)	(226)	-	(19)	(245)	(225)	-	(27)	(252)
Loans repaid	(205)	(6)	(10)	(221)	(301)	-	(22)	(323)	(288)	-	(24)	(312)
Other changes	-	-	-	-	121	-	10	131	138	-	18	156
Non-accruing debt balance at end of period	**1,270**	**1,567**	**73**	**2,910**	**1,185**	**-**	**52**	**1,237**	**1,193**	**-**	**56**	**1,249**

	For the nine months ended September 30, 2022				For the nine months ended September 30, 2021				For the year ended December 31, 2021			
Of which: Movement in non-accruing credit subject to re-structuring	**Commercial**	**Residential**	**Individual**	**Total**	**Commercial**	**Residential**	**Individual**	**Total**	**Commercial**	**Residential**	**Individual**	**Total**
Non-accruing credit balance subject to re-structuring – at start of period	367	-	31	398	418	-	41	459	418	-	41	459
Effect of initial application of rules for identification and classification of problematic debts(1)	-	675	-	675	-	-	-	-	-	-	-	-
Re-structuring carried out during the period	86	279	24	389	130	-	16	146	135	-	18	153
Loans resuming accrual of interest revenues	(108)	(128)	(6)	(242)	(170)	-	(4)	(174)	(177)	-	(5)	(182)
Credit under restructuring written off	(11)	-	(2)	(13)	(63)	-	(14)	(77)	(63)	-	(15)	(78)
Credit under restructuring repaid	(58)	-	(15)	(73)	(63)	-	(17)	(80)	(72)	-	(19)	(91)
Other changes	(88)	-	6	(82)	125	-	10	135	126	-	11	137
Non-accruing credit balance subject to re-structuring – at end of period	**188**	**826**	**38**	**1,052**	**377**	**-**	**32**	**409**	**367**	**-**	**31**	**398**

(1) Cumulative effect of initial application of US GAAP with regard to financial instruments – credit losses (ASU 2016-13) and updates there to. See also Note 1.D.1.

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

Analysis of provision for credit losses

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

	Provision for credit losses					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Individual – other	Total		
For the three months ended September 30, 2022						
Balance of provision for credit losses at start of period	1,586	825	443	2,854	1	2,855
Expenses with respect to credit losses	98	36	21	155	-	155
Net accounting write-offs	(29)	-	(11)	(40)	-	(40)
Other[(1)]	15	1	5	21	-	21
Balance of provision for credit losses at end of period	**1,670**	**862**	**458**	**2,990**	**1**	**2,991**
For the three months ended September 30, 2021						
Balance of provision for credit losses at start of period	1,271	859	286	2,416	3	2,419
Expenses (income) with respect to credit losses	(25)	(10)	1	(34)	(2)	(36)
Net accounting write-offs	(5)	(1)	(14)	(20)	-	(20)
Other[(1)]	8	-	1	9	-	9
Balance of provision for credit losses at end of period	**1,249**	**848**	**274**	**2,371**	**1**	**2,372**
For the nine months ended September 30, 2022						
Balance of provision for credit losses at start of period	1,256	804	254	2,314	1	2,315
Opening balance adjustment for effect of initial application of public reporting directives with regard to expected credit losses	275	(32)	149	392	-	392
Expenses with respect to credit losses	200	88	53	341	-	341
Net accounting write-offs	(67)	-	(39)	(106)	-	(106)
Other[(1)]	6	2	41	49	-	49
Balance of provision for credit losses at end of period	**1,670**	**862**	**458**	**2,990**	**1**	**2,991**
For the nine months ended September 30, 2021						
Balance of provision for credit losses at start of period	1,383	942	340	2,665	2	2,667
Expenses (income) with respect to credit losses	(136)	(92)	(34)	(262)	(1)	(263)
Net accounting write-offs	(25)	(3)	(40)	(68)	-	(68)
Other[(1)]	27	1	8	36	-	36
Balance of provision for credit losses at end of period	**1,249**	**848**	**274**	**2,371**	**1**	**2,372**

(1) Movement in provision for credit losses in subsidiary, primarily attributed to cost of acquisition upon initial consolidation, and is therefore not included on the consolidated balance sheet.

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

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

	September 30, 2022	September 30, 2021	December 31, 2021
Ratio of provision for credit losses to total loans to the public	1.0	0.9	0.8
Ratio of provision for credit losses to total credit risk with respect to the public	0.8	0.7	0.6
	Nine months [(1)]		
	2022	**2021**	**2021**
Ratio of expenses (revenues) with respect to credit losses to average balance of loans to the public, gross	0.2	(0.1)	(0.1)
Ratio of net write-offs to average balance of loans to the public, gross	0.05	0.0	0.1
Ratio of expenses (revenues) with respect to credit losses to average balance of loans to the public, net	0.2	(0.1)	(0.1)
Of which: With respect to commercial loans other than residential mortgages[(2)]	0.3	(0.3)	(0.2)
Ratio of net write-offs to average balance of loans to the public, net	0.05	0.0	0.1

(1) Annualized.

(2) The rate with respect to residential mortgages is negligible.

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

The household segment is a key growth engine and a significant component of the Bank's strategic plan for 2021-2025. The individual customer segment is highly diversified – by number of customers and by geographic location. Most customers in this segment are salaried employees with an individual account or joint household account. A recession in non-banking operations is a major risk factor for household activity and higher unemployment may increase the number of customers who face difficulties.

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

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

The Bank regularly monitors the risk level in the loan portfolio to individuals, including by using an internal model for credit rating of individual customers, as well as by monitoring and continuous analysis of expenses with respect to credit losses and by conducting various stress tests, including stress tests in conformity with Bank of Israel directives, which include scenarios such as: economic recession, significant increase in unemployment and higher interest rates. In recent months, the retail loan portfolio has been more closely monitored, due to developments in the macro-economic environment, primarily the higher interest and inflation rates. For more information about credit risk management following the Corona Virus crisis, see chapter "Credit risks" and chapter "Explanation and analysis of results and business standing".

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

	As of September 30		As of December 31
	2022	**2021**	**2021**
Debts			
Current account balances	2,004	2,039	1,976
Utilized credit card balances	4,917	4,308	4,653
Auto loans – adjustable interest	2,399	2,146	2,133
Auto loans – fixed interest	2,087	2,663	2,823
Other loans and credit – variable interest	13,640	12,693	13,063
Other loans and credit – fixed interest	959	265	194
Total debt (on-balance sheet credit)	**26,006**	**24,114**	**24,842**
Un-utilized facilities, guarantees and other commitments			
Current accounts – un-utilized facilities	5,274	5,053	5,134
Credit cards – un-utilized facilities	8,689	8,363	8,331
Guarantees	301	241	253
Other liabilities	36	44	57
Total un-utilized facilities, guarantees and other commitments (off-balance sheet credit)	**14,300**	**13,701**	**13,775**
Total credit risk to individuals	**40,306**	**37,815**	**38,617**
Of which:			
Bullet / balloon loans(3)	486	364	380
Financial asset portfolio and other collateral against credit risk(4)			
Financial assets portfolio:			
Deposits	4,451	3,761	3,998
Securities	304	251	271
Other monetary assets	220	280	257
Other collateral(5)	2,777	3,553	3,484
Total financial assets portfolio and other collateral against credit risk	**7,752**	**7,845**	**8,010**

(1) As defined in Proper Conduct of Banking Business Directive 451.
(2) For measuring regular income in customer accounts, the Bank uses "credit turnover" data for the account, including inter alia salaries and regular pensions.
(3) Loans with a grace period for principal longer than one year.
(4) Amounts presented are the financial assets portfolio and other collateral, only up to customer debt amount.
(5) Collateral is after applying the safety factor, in conformity with Bank factors accounted for when extending credit.

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

Loan ceiling and credit risk (NIS in thousands)		As of September 30, 2022 Number of Borrowers	Total credit risk	As of September 30, 2021 Number of Borrowers	Total credit risk	As of December 31, 2021 Number of Borrowers	Total credit risk
	Up to 10	369,945	885	352,427	1,965	353,214	1,675
Above 10	Up to 20	112,470	1,655	110,056	1,690	111,402	1,686
Above 20	Up to 40	150,025	4,364	143,433	4,245	147,002	4,303
Above 40	Up to 80	159,990	9,137	151,113	8,720	154,397	8,928
Above 80	Up to 150	101,918	10,994	95,614	10,355	97,395	10,573
Above 150	Up to 300	50,766	10,439	43,789	8,933	44,683	9,345
Above 300		6,589	2,832	4,252	1,907	4,361	2,107
Total		**951,703**	**40,306**	**900,684**	**37,815**	**912,454**	**38,617**

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

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

Income	As of September 30, 2022 NIS in millions	in %	As of September 30, 2021 NIS in millions	in %	As of December 31, 2021 NIS in millions	in %
Accounts with no fixed income for the account[(2)]	6,164	23.7	5,630	23.3	5,913	23.8
Less than NIS 10 thousand	4,073	15.7	4,111	17.0	4,459	17.9
Between NIS 10 thousand and NIS 20 thousand	8,065	31.0	7,585	31.5	7,620	30.7
Over NIS 20 thousand	7,704	29.6	6,788	28.2	6,850	27.6
Total	**26,006**	**100**	**24,114**	**100**	**24,842**	**100**

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

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

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

Term to maturity	As of September 30, 2022 NIS in millions	in %	As of September 30, 2021 NIS in millions	in %	As of December 31, 2021 NIS in millions	in %
Up to 1 year	4,204	22	3,548	20	3,696	20.3
Over 1 year to 3 years	6,034	31.6	5,620	31.6	5,970	32.8
Over 3 years to 5 years	4,486	23.5	4,435	25	4,387	24.1
Over 5 years to 7 years	2,012	10.5	2,128	12	2,118	11.6
Over 7 years[(2)]	2,349	12.4	2,036	11.4	2,042	11.2
Total	**19,085**	**100**	**17,767**	**100**	**18,213**	**100**

(1) Excluding checking account and credit cards.

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

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

	As of September 30, 2022			As of September 30, 2021			As of December 31, 2021		
	Credit risk[(1)]			Credit risk[(1)]			Credit risk[(1)]		
	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:
Balance of problematic credit risk	221	11	232	186	2	188	193	7	200
Problematic credit risk rate[(2)]	0.85%	0.08%	0.58%	0.77%	0.01%	0.50%	0.78%	0.05%	0.52%

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

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

	Nine months		2021
	2022	2021	
Expense with respect to credit losses as percentage of total loans to the public to individuals	0.28%	(0.19%)	(0.22%)

Data for credit risk to individuals show that:

- Total debts by individuals (on-balance sheet credit) increased by 7.9% and by 4.7% compared to September 30, 2021 and December 31, 2021, respectively.
- Development of debts as of September 30, 2022 is as follows:

  Checking accounts - 7.7%
  Credit cards - 18.9%
  Auto loans - 17.3%
  Other loans and credit - 56.1%
- Of all debts (on-balance sheet credit) as of September 30, 2022, 29.8% is secured by financial assets and other collateral in the customer's account (compared to 32.5% as of September 30, 2021 and 32.3% as of December 31, 2021).

Credit risk in construction and real estate economic sector in Israel

Credit operations in this sector account for a significant component of credit operations of the Corporate Division. In financing the construction and real estate industry, specific analysis and monitoring tools are used to assist the Bank in reaching decisions on the granting of financial support to the various projects. Construction financing in this industry is focused mainly on residential construction in areas with strong demand in central Israel. In addition, the financing is allocated between geographic regions, based inter alia on relevant demand. In extending credit for construction, the Bank focuses on the financial support method (closed assistance). The application of this method is designed to reduce the exposure to risks in the granting of the loans, because it incorporates current and close monitoring of the progress of the financed projects, both before the loans are provided, and as the project receives the financial support, while maintaining a distinction between the financed projects and the business risks inherent in the other activities of the developer-borrower. The Bank is assisted by outside construction supervisors, and also relies on liens on the land in the project, to secure the loans. Loans are issued for financed projects only by business centers and branches with professional knowledge of the subject, and under the supervision of the construction and real estate sector. The Bank also sets policies and rules for financing other real estate transactions, such as financing for rental properties, Construction, purchase groups, urban renewal, National Zoning Plan 38 etc. Moreover, in order to minimize risk, the Bank insures the portfolio of housing bonds and some performance guarantees in assisted projects with overseas reinsurers.

Recovery from the Corona Virus crisis, excess demand for apartments in Israe and low interest rates resulted in records in this segment: in the past year, housing prices increased by 19%, the construction input index increased by 6.0% (year-to-date: 4.9%), new residential units sold in the market in March-May 2022, net of seasonality, was lower by 24% compared to the previous three months, and review of this trend shows that since August 2021, sales decreased by 4% per month. This is after observed increase by 2.3% per month from April 2020 through July 2021. The change in sales trend is in view of higher interest rates (from April to October of 2022, the Bank of Israel raised its interest rate by 2.65 percentage points) and decrease in apartment buying by investors, due to the higher purchase tax. Total housing construction starts in July 2021 through June 2022 were 72.5 thousand residential units, an increase by 24% compared to the corresponding period in the previous year. Residential housing construction completions increased by 6%, at 50 thousand residential units. In June 2022, the Knesset enacted an alternative for National Zoning Plan 38, while extending the previous program through October 2023. This alternative allows for making progress on individual urban renewal programs in several tracks. Furthermore, Amendment 9 to the Sales Law was approved, setting a limit on linkage of new apartments by the seller, and regulating the amount of compensation in case of late delivery. Moreover, in view of the political instability and awaiting the election results and forming of a new Government, application of current plans already issued and progress on new plans may be delayed.

The rental property sector also saw increased demand and higher prices, along with high occupancy rates, especially in Tel Aviv, while addressing the implications of the Corona Virus crisis accelerated processes of remote working and integration with office work (hybrid model), which are expected to remain over the long term. Therefore, and in view of many companies entering the eCommerce market, accelerated trend of online shopping and growth in private consumption, there is increased demand for logistics centers.

Financing of real estate transactions at the Bank is conducted in conformity with clear policy and rules stipulated in the lending policy for various activity channels, such as: financing for land, residential construction, rental real estate, purchase groups, urban renewal, TAMA 38 and so forth. Growth in activity, in view of increased competition, is achieved while adhering to appropriate underwriting procedures and credit spreads to reflect the risk. The risk level in this sector is also taken into account in the quarterly review process of the group-based provision.

The Bank regularly monitors the loan portfolio, as well as new loans extended, in conformity with benchmarks stipulated in Bank policy.

In the first nine months of 2022, the Bank acted to expand its loan operations in the construction and real estate sector, as part of the trend of growing demand in this sector reflected, inter alia, in higher prices and increased transaction volume. Consequently, the total credit exposure in the construction and real estate sectors in the first nine months of 2022 increased by 10.4%

The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank as of September 30, 2022, as presented below (Credit Risk by Economic Sector) is 15.0%. Note that according to Proper Conduct of Banking Business Directive 315, the rate of indebtedness of the construction and real estate sector (for calculation of sector concentration) is 11.6% (excluding liabilities, including contingent liabilities to extend credit or to provide guarantees and amounts of housing bonds for which the Bank has obtained an insurance policy). The Bank reviews in each quarter the calculation of the group-based provision for credit losses in this sector, and adjusts this provision so as to account, inter alia, for growth in the loan portfolio and the underwriting conditions.

For more information about addition of loans designated for purchase of land for development or construction with LTV in excess of 80% to the list of debt with a 150% risk weighting, see Note 9 to the financial statements.

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

	September 30, 2022							
	Credit risk to the public[(1)]							
				Credit risk	Total problematic credit risk		Balance of provision for credit losses	
	On balance sheet[(2)]	Off balance sheet[(3)]		Of which:	Non-accruing	Other proble-matic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
		Guarantees to home buyers[(5)]	Facilities and other commitments					
Secured by real estate:								
Housing	17,899	6,308	11,177	35,384	39	348	100	36
Commercial and industrial	9,233	167	2,559	11,959	124	38	108	5
Total secured by real estate	**27,132**	**6,475**	**13,738**	**47,343**	**163**	**386**	**208**	**41**
Not secured by real estate	5,414	161	5,160	10,735	128	111	134	37
Total for construction and real estate economic sector in Israel	**32,546**	**6,636**	**18,896**	**58,078**	**291**	**497**	**342**	**78**
Of which: Designated for project assistance	17,788	6,454	10,426	34,668	12	350	87	37

	September 30, 2021							
	Credit risk to the public[(1)]							
				Credit risk	Total problematic credit risk		Balance of provision for credit losses	
	On balance sheet[(2)]	Off balance sheet[(3)]		Of which:	Non-accruing[(6)]	Other proble-matic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
		Guarantees to home buyers[(5)]	Facilities and other commitments					
Secured by real estate:								
Housing	12,004	5,102	14,167	31,273	104	40	87	48
Commercial and industrial	7,333	90	1,858	9,281	131	48	77	3
Total secured by real estate	**19,337**	**5,192**	**16,025**	**40,554**	**235**	**88**	**164**	**51**
Not secured by real estate	4,604	223	4,514	9,341	118	90	44	42
Total for construction and real estate economic sector in Israel	**23,941**	**5,415**	**20,539**	**49,895**	**353**	**178**	**208**	**93**
Of which: Designated for project assistance	10,427	4,508	13,314	28,249	57	33	86	50

	December 31, 2021							
	Credit risk to the public[(1)]							
				Credit risk	Total problematic credit risk		Balance of provision for credit losses	
	On balance sheet[(2)]	Off balance sheet[(3)]		Of which:	Non-accruing	Other proble-matic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
		Guarantees to home buyers[(5)]	Facilities and other commitments					
Secured by real estate:								
Housing	13,472	5,517	13,708	32,697	69	87	105	57
Commercial and industrial	7,263	83	2,150	9,496	90	49	54	7
Total secured by real estate	**20,735**	**5,600**	**15,858**	**42,193**	**159**	**136**	**159**	**64**
Not secured by real estate	5,652	219	4,193	10,064	122	99	52	33
Total for construction and real estate economic sector in Israel	**26,387**	**5,819**	**20,051**	**52,257**	**281**	**235**	**211**	**97**
Of which: Designated for project assistance	12,788	5,549	12,348	30,685	39	72	122	59

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

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

	September 30, 2022			September 30, 2021			December 31, 2021		
	Credit risk[1]			Credit risk[1]			Credit risk[1]		
	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:
Secured by real estate									
Real estate yet to be completely constructed:									
Raw land	15,182	867	16,049	6,970	1,385	8,355	8,795	1,276	10,071
Real estate under construction	5,263	17,363	22,626	6,501	17,866	24,367	5,698	18,865	24,563
Real estate completely constructed	6,687	1,981	8,668	5,866	1,966	7,832	6,242	1,317	7,559
Total credit secured by real estate in Israel	**27,132**	**20,211**	**47,343**	**19,337**	**21,217**	**40,554**	**20,735**	**21,458**	**42,193**
Not secured by real estate	5,414	5,321	10,735	4,604	4,737	9,341	5,652	4,412	10,064
Total credit risk for construction and real estate	**32,546**	**25,532**	**58,078**	**23,941**	**25,954**	**49,895**	**26,387**	**25,870**	**52,257**

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

	September 30	December 31	December 31,
	2022	2021	2021
	Credit risk to the public[1]		exchange rates
Credit risk at performing credit rating:			
Total non-problematic credit risk	56,195	50,559	11.1%
Credit risk other than at performing credit rating:			
Problematic accruing	497	235	111.5%
Problematic non-accruing	291	281	3.6%
Non-problematic	1,095	1,182	(7.4%)
Total credit risk other than at performing credit rating	**1,883**	**1,698**	**10.9%**
Total credit risk for construction and real estate	**58,078**	**52,257**	**11.1%**

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

Credit risk by economic sector

As of September 30, 2022

Reported amounts (NIS in millions)

	Total credit risk(1)				Off balance sheet debts(2) and credit risk (other than derivatives)(3)				Credit losses(4)		
		Of which:									
	Total	Credit performance rating(4)	Credit in good standing other than at performing credit rating	Problematic(5)	Total	Debts(2)	Problematic(5)	Non-accruing(7)	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,202	1,167	14	21	1,202	942	21	12	6	1	21
Mining and excavation	999	992	-	7	855	327	7	2	3	-	8
Industry and production	15,406	14,632	273	501	14,997	9,934	501	306	(86)	62	308
Of which: Diamonds	1,821	1,589	76	156	1,821	1,270	156	104	(2)	1	36
Construction and real estate – construction(6)	49,892	48,477	766	649	49,802	25,006	649	177	103	(21)	324
Construction and real estate – real estate operations	8,186	7,718	329	139	7,675	6,967	139	114	6	-	96
Electricity and water delivery	9,030	9,004	12	14	8,740	4,921	14	12	29	20	75
Commerce	15,250	14,580	364	306	15,100	11,713	306	183	(3)	(15)	274
Hotels, dining and food services	2,057	1,866	81	110	2,046	1,596	110	73	18	7	93
Transport and storage	2,633	2,297	174	162	2,601	2,033	162	120	(5)	(15)	87
Information and communications	2,437	2,382	16	39	2,354	1,529	39	35	17	6	38
Financial services	19,434	19,262	140	32	14,917	10,385	32	24	27	-	52
Other business services	6,905	6,521	123	261	6,897	4,720	261	132	47	22	180
Public and community services	3,575	3,307	221	47	3,549	2,889	47	34	20	-	66
Total commercial	**137,006**	**132,205**	**2,513**	**2,288**	**130,735**	**82,962**	**2,288**	**1,224**	**182**	**67**	**1,622**
Private individuals – residential mortgages	207,661	205,263	702	1,696	207,661	193,616	1,696	1,567	88	-	862
Private individuals – other	40,314	39,730	352	232	40,306	26,006	232	73	53	39	458
Total public – activity in Israel	**384,981**	**377,198**	**3,567**	**4,216**	**378,702**	**302,584**	**4,216**	**2,864**	**323**	**106**	**2,942**
Banks in Israel	2,830	2,830	-	-	986	730	-	-	-	-	-
Government of Israel	10,914	10,914	-	-	6	6	-	-	-	-	-
Total activity in Israel	**398,725**	**390,942**	**3,567**	**4,216**	**379,694**	**303,320**	**4,216**	**2,864**	**323**	**106**	**2,942**
Borrower activity overseas											
Total public – activity overseas	6,694	6,300	318	76	6,453	4,324	76	46	18	-	48
Overseas banks	11,014	11,014	-	-	10,735	10,720	-	-	-	-	-
Overseas governments	1,651	1,650	-	1	333	333	1	1	-	-	1
Total activity overseas	**19,359**	**18,964**	**318**	**77**	**17,521**	**15,377**	**77**	**47**	**18**	**-**	**49**
Total	**418,084**	**409,906**	**3,885**	**4,293**	**397,215**	**318,697**	**4,293**	**2,911**	**341**	**106**	**2,991**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts(2) – 318,697; bonds – 13,703; securities borrowed or acquired in conjunction with resale agreements – 914; credit risk (balance-sheet and off-balance-sheet)l with respect to derivatives – 6,252; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 78,518.

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

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

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

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

(6) Includes on-balance sheet credit risk amounting to NIS 1,227 million and off-balance sheet credit risk amounting to NIS 1,762 million, provided to certain purchase groups in the process of construction and includes off-balance sheet credit risk amounting to NIS 6,204 million for which insurance has been acquired to cover the housing bonds portfolio from international reinsurers.

(7) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Credit risk by economic sector – Continued

As of September 30, 2021

Reported amounts (NIS in millions)

	Total credit risk(1)				Off balance sheet debts(2) and credit risk (other than derivatives)(3)						
		Of which:							Credit losses(3)		
	Total	**Credit performance rating(4)**	**Credit in good standing other than at performing credit rating**	**Problematic(5)**	**Total**	**Debts(2)**	**Problematic(5)**	**Non-accruing(7)**	**Expenses with respect to credit losses**	**Net accounting write-offs**	**Balance of provision for credit losses**
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,205	1,173	16	16	1,205	937	16	7	-	-	11
Mining and excavation	778	778	-	-	668	158	-	-	(7)	(1)	4
Industry and production	12,415	11,715	239	461	12,262	7,538	461	311	1	(17)	195
Of which: Diamonds	1,524	1,329	45	150	1,524	1,080	150		1	2	23
Construction and real estate – construction(6)	42,333	40,689	1,259	385	42,265	17,314	385	252	(3)	(11)	266
Construction and real estate – real estate operations	7,562	6,873	543	146	7,390	6,398	146	101	(10)	-	35
Electricity and water delivery	6,573	6,500	39	34	6,345	3,723	34	21	6	-	38
Commerce	14,682	13,853	507	322	14,531	10,441	322	157	(19)	24	213
Hotels, dining and food services	2,109	1,830	137	142	2,109	1,640	142	56	(43)	4	57
Transport and storage	2,879	2,492	166	221	2,850	1,869	221	180	22	5	105
Information and communications	1,786	1,686	28	72	1,728	1,122	72	17	(5)	3	33
Financial services	17,445	17,396	4	45	14,408	7,063	45	8	(56)	(20)	117
Other business services	6,112	5,754	180	178	6,104	4,122	178	121	(3)	8	109
Public and community services	3,330	2,954	347	29	3,322	2,531	29	18	(10)	-	22
Total commercial	**119,209**	**113,693**	**3,465**	**2,051**	**115,187**	**64,856**	**2,051**	**1,249**	**(127)**	**(5)**	**1,205**
Private individuals – residential mortgages	184,313	182,183	735	1,395	184,313	169,729	1,395	-	(92)	3	847
Private individuals – other	37,903	37,414	301	188	37,815	24,114	188	52	(34)	40	274
Total public – activity in Israel	**341,425**	**333,290**	**4,501**	**3,634**	**337,315**	**258,699**	**3,634**	**1,301**	**(253)**	**38**	**2,326**
Banks in Israel	2,431	2,431	-	-	1,430	1,187	-	-	-	-	-
Government of Israel	11,798	11,798	-	-	69	69	-	-	-	-	-
Total activity in Israel	**355,654**	**347,519**	**4,501**	**3,634**	**338,814**	**259,955**	**3,634**	**1,301**	**(253)**	**38**	**2,326**
Borrower activity overseas											
Total public – activity overseas	5,931	5,806	67	57	5,505	3,206	57	21	(9)	30	45
Overseas banks	7,339	7,339	-	-	5,783	5,758	-		(1)	-	1
Overseas governments	1,351	1,350	-	1	410	410	1	1	-	-	-
Total activity overseas	**14,621**	**14,495**	**67**	**58**	**11,698**	**9,374**	**58**	**22**	**(10)**	**30**	**46**
Total	**370,275**	**362,014**	**4,568**	**3,692**	**350,512**	**269,329**	**3,692**	**1,323**	**(263)**	**68**	**2,372**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts(2) – 269,329; bonds – 14,085; securities borrowed or acquired in conjunction with resale agreements – 383; Assets with respect to derivatives – 2,769; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 83,709.

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

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

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

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

(6) Includes on-balance sheet credit risk amounting to NIS 1,974 million and off-balance sheet credit risk amounting to NIS 2,142 million, provided to certain purchase groups in the process of construction and includes off-balance sheet credit risk amounting to NIS 5,451 million for which insurance has been acquired to cover the housing bonds portfolio from international reinsurers.

(7) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Credit risk by economic sector – Continued

As of December 31, 2021

Reported amounts (NIS in millions)

	Total credit risk[1]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[4]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non-accruing[7]	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,203	1,179	8	16	1,203	939	16	8	(1)	1	9
Mining and excavation	750	750	-	-	651	158	-	-	(6)	-	4
Industry and production	13,280	12,517	298	465	13,116	7,689	465	294	14	37	188
Of which: Diamonds	1,552	1,390	23	139	1,552	1,031	139	-	8	4	27
Construction and real estate – construction[6]	44,695	43,288	1,004	403	44,603	19,881	403	197	43	(1)	265
Construction and real estate – real estate operations	7,562	7,271	178	113	7,360	6,228	113	84	(16)	1	43
Electricity and water delivery	7,686	7,637	36	13	7,427	4,655	13	1	11	(4)	35
Commerce	14,146	13,410	380	356	13,993	10,531	356	229	(42)	19	231
Hotels, dining and food services	2,082	1,773	142	167	2,082	1,577	167	72	(44)	8	55
Transport and storage	2,877	2,523	140	214	2,858	1,992	214	173	21	10	99
Information and communications	1,864	1,744	27	93	1,807	1,181	93	16	(2)	(2)	35
Financial services	16,457	16,387	28	42	13,165	8,143	42	7	(35)	(20)	129
Other business services	6,211	5,825	213	173	6,192	4,229	173	114	(12)	(8)	102
Public and community services	3,350	2,963	351	36	3,343	2,582	36	19	(13)	(2)	21
Total commercial	**122,163**	**117,267**	**2,805**	**2,091**	**117,800**	**69,785**	**2,091**	**1,214**	**(82)**	**39**	**1,216**
Private individuals – residential mortgages	195,368	193,185	883	1,300	195,368	175,599	1,300	-	(133)	7	803
Private individuals – other	38,707	38,201	306	200	38,617	24,842	200	56	(55)	45	254
Total public – activity in Israel	**356,238**	**348,653**	**3,994**	**3,591**	**351,785**	**270,226**	**3,591**	**1,270**	**(270)**	**91**	**2,273**
Banks in Israel	3,690	3,690	-	-	2,588	2,333	-	-	-	-	-
Government of Israel	11,827	11,827	-	-	74	74	-	-	-	-	-
Total activity in Israel	**371,755**	**364,170**	**3,994**	**3,591**	**354,447**	**272,633**	**3,591**	**1,270**	**(270)**	**91**	**2,273**
Borrower activity overseas											
Total public – activity overseas	5,869	5,437	373	59	5,431	3,305	59	6	(7)	37	41
Overseas banks	9,081	9,081	-	-	7,286	7,260	-	-	(1)	-	1
Overseas governments	2,438	2,437	-	1	403	403	1	1	-	-	-
Total activity overseas	**17,388**	**16,955**	**373**	**60**	**13,120**	**10,968**	**60**	**7**	**(8)**	**37**	**42**
Total	**389,143**	**381,125**	**4,367**	**3,651**	**367,567**	**283,601**	**3,651**	**1,277**	**(278)**	**128**	**2,315**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 283,601; bonds – 14,307; securities borrowed or acquired in conjunction with resale agreements – 1332; Assets with respect to derivatives – 3,652; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 86,251.

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

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

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

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

(6) Includes on-balance sheet credit risk amounting to NIS 1,699 million and off-balance sheet credit risk amounting to NIS 2,096 million, provided to certain purchase groups in the process of construction and includes off-balance sheet credit risk amounting to NIS 5,699 million for which insurance has been acquired to cover the portfolio of housing bonds and performance guarantees pursuant to the Sale Law from international re-insurers.

(7) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Exposure to foreign countries[1]

Reported amounts (NIS in millions)

Country	September 30, 2022[2]			September 30, 2021[3]			December 31, 2021[3]		
									Exposure
	On balance sheet[3]	Off-balance sheet[3][4][5]	Total	On balance sheet [4]	Off-balance sheet [4][5][6]	Total	On balance sheet[3]	Off-balance sheet[3][4][5]	Total
USA	14,389	1,627	16,016	8,997	837	9,834	11,809	742	12,551
Barbados [7]	5,931	-	5,931	-	-	-	-	-	-
UK [8]	-	-	-	-	-	-	3,156	1,086	4,242
Other	6,861	7,347	14,208	6,846	7,517	14,363	7,060	7,573	14,633
Total exposure to foreign countries	**27,181**	**8,974**	**36,155**	**15,843**	**8,354**	**24,197**	**18,869**	**8,315**	**27,184**
Of which: Total exposure to Greece, Portugal, Spain, Italy	54	6	60	39	7	46	49	6	55
Of which: Total exposure to LDC countries	629	58	687	575	45	620	548	54	602
Of which: Total exposure to foreign countries facing liquidity issues [9]	-	-	-	-	-	-	-	-	-

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

(2) Including On- and off-balance sheet credit risk with respect to derivative instruments is presented after credit risk mitigation, in conformity with revision of Public Reporting Directives in a circular dated July 24, 2022, following publication of Directive 203A.

(3) Reclassified.

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

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

(6) The balance of off-balance sheet exposure includes NIS 6,239 million, mostly with respect to acquiring insurance from international reinsurers for the portfolio of housing bonds for borrowers in the real estate sector in Israel. (as of September 30, 2021: NIS 5,537 million; As of December 31, 2021: NIS 5,777 million).

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

(8) As of September 30, 2022 and September 30, 2021, exposure to the UK does not exceed the reporting threshold specified in Public Reporting Directives. This exposure for these periods is presented under Other Country Balances.

(9) As of September 30, 2022, September 30, 2021 and December 31, 2021, the Bank had no exposure to foreign countries facing liquidity issues where the balance sheet exposure with respect to such countries exceeds the reporting threshold specified in Addendum 7, Chapter 651 of Public Reporting Regulations.

Credit exposure to foreign financial institutions

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

External credit rating	On-balance sheet credit risk[3]	Current off-balance sheet credit risk[4]	Current credit exposure
			September 30, 2022[7]
AAA to AA-	6,649	6,350	12,999
A+ to A-	1,603	819	2,422
BBB+ to BBB-	22	17	39
BB+ to B-	-	4	4
Lower than B-	-	-	-
Unrated	2	6	8
Total credit exposure to foreign financial institutions	**8,276**	**7,196**	**15,472**

External credit rating	On-balance sheet credit risk[3]		Off-balance sheet credit risk[4]	Current credit exposure	
	Before offset of deposits with respect to master netting agreements[5]	After offset of deposits with respect to master netting agreements[6]		Before offset of deposits with respect to master netting agreements	After offset of deposits with respect to master netting agreements[5]
					September 30, 2021
AAA to AA-	637	588	4,998	5,635	5,587
A+ to A-	1,843	1,521	306	2,149	1,826
BBB+ to BBB-	113	102	35	148	137
BB+ to B-	90	90	-	90	90
Lower than B-	-	-	-	-	-
Unrated	8	8	14	22	22
Total credit exposure to foreign financial institutions	**2,691**	**2,310**	**5,353**	**8,044**	**7,662**
					December 31, 2021
AAA to AA-	682	566	5,508	6,190	6,074
A+ to A-	2,305	1,653	240	2,545	1,893
BBB+ to BBB-	15	15	-	15	15
BB+ to B-	1	1	-	1	1
Lower than B-	-	-	-	-	-
Unrated	7	11	4	11	15
Total credit exposure to foreign financial institutions	**3,010**	**2,246**	**5,752**	**8,762**	**7,998**

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

(2) After deduction of provision for credit losses.

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

(4) The balance of off-balance sheet exposure to financial institutions includes NIS 6,239 million as of September 30, 2022 (as of September 30, 2021: NIS 5,537 million; as of December 31, 2021: NIS 5,777 million) with respect to acquiring insurance from international reinsurers for the portfolio of housing bonds for borrowers in the real estate sector in Israel as well as guarantees and additional commitments to extend credit, including guarantees to secure indebtedness of third parties.

(5) Presented net of fair value of liabilities with respect to derivative instruments for counter-parties which have signed master netting agreements.

(6) With respect to offset of cash deposits used as collateral for transactions with regard to financial derivatives.

(7) Includes on- and off-balance sheet risk with respect to derivative instruments, which is presented after credit risk mitigation, in conformity with revision of Public Reporting Directives in a circular dated July 24, 2022, following the publication of Directive 203A.

Due to potential implications of the economic crisis resulting from the Corona Virus pandemic for the condition of many financial institutions world-wide, credit spread volatility in the first half of 2020 increased during the crisis period. Many financial institutions had their rating outlook lowered, with some ratings lowered as well. As from the second half of 2020 and in 2021, financial markets appeared to be stabilizing, although the financial system still reflects increased risk due to further waves of the Corona Virus and higher inflation in different parts of the world. Due to the higher inflation, in recent months many central banks started to apply a restraining monetary policy and to raise interest rates. In the near term, they are expected to further raise interest rates, which may bring about re-pricing of financial assets, market volatility and changes to credit conditions. Throughout this period and in conformity with developments, the Bank closely monitors all its exposure frameworks, analyzing and reviewing the relevant risks based on various parameters, as well as in conformity with the extent of business activity with counter parties; the Bank has updated the various exposure frameworks (right sizing). With regard to implications of the Russia-Ukraine war, which broke out on February 24, 2022, the Bank has assessed the risk with respect to the relevant financial institutions and adjusted the scope of activity as required. The Bank continues to monitor this risk.

As of September 30, 2022 and as of December 31, 2021, there was no net problematic credit risk (impaired, inferior or under special supervision).

The aforementioned credit exposure excludes exposure to financial institutions for which complete, explicit government guarantees are in place, and exclude investments in asset-backed securities. For more information with regard to credit exposure composition with respect to derivative instruments vis-à-vis banks and dealers/brokers (domestic and foreign), see Note 11.B. to the financial statements.
Some of the exposures listed in the above table are included under "Credit Risk by Economic Sector", under "Financial services". This includes deposits with banks, loans to the public, public investment in bonds and other assets with respect to derivatives. Futures transactions, weighted in accordance with rules stated in Proper Business Conduct Directive 313, are included as part of off-balance sheet credit risk, and are excluded from the above table.

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

The Bank determines the exposure limit to each financial institution based on the most recent rating available for said institution, provided by one or more of the leading international rating agencies are used – based on financial information for the institution under review. Exposure limits per institution include maximum exposure amount and maximum time to maturity for different types of activities and transactions. To this end, the existence (or absence) of an offset agreement for derivative operations with these financial institution is also taken into consideration. The policies also specify a hierarchy of authority for approval of specific transactions within the exposure limits.

The Bank monitors current ratings published for financial institutions to which it has exposure, and adjusts the exposure limits and actual exposure, as required, to the current rating. The Bank also reviews on a regular basis any additional information available with regard to these institutions in order to monitor exposures even where the credit rating may not reflect the complete picture of the situation.

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

Residential mortgages risk and its development

In conjunction with credit risks management, the Bank takes various actions to manage, control and mitigate risks associated with provision of residential mortgages. Residential mortgages account for a significant share of all credit risk at the Bank, but the Bank considers the risk profile associated with extending residential mortgages as low compared to the risk inherent in the Bank's overall loan portfolio, as this segment is still highly diversified and has a Low-Medium risk level, due to extensive diversification of borrowers from various economic sectors, relatively low LTV ratios, extensive geographic diversification of pledged assets and use of various risk mitigators, including property and life insurance, to mitigate credit risk in this segment.

The Bank acts regularly to control and manage the risk associated with residential mortgages, for which the Retail Division, the Risks Control Division and other Bank entities are responsible.

Bank policy with regard to mortgages is based on an individual approach to limit the specific risk in each loan, by reviewing various risk attributes and analyzing the loan application based on risk factors with respect to borrower quality and to the nature of the transaction presented to the Bank.

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

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

The Bank sometimes requires additional bolstering for the loan, such as guarantors for the loan, proven repayment capacity not based on regular borrower income and other bolstering measures. The Bank has an advanced model for rating residential mortgages, which includes a rating for each loan and calculation of potential loss in case of failure. This model is part of the Bank's existing monitoring tools.

Risk appetite and risk profile in mortgage segment

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

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

The Bank acts regularly to control and manage the risk associated with residential mortgages, for which the Retail Division, the Risks Control Division and other Bank entities are responsible. This activity also includes portfolio analysis and monitoring by key risk factors and estimation of portfolio risk using an advanced model for rating residential mortgages, including rating of each loan and calculation of probability of default and potential loss given default, as well as conducting various stress scenarios to review the effect of changes to macro-economic factors on the portfolio risk level, primarily the impact of change in unemployment, change in housing prices and change in interest rates.
The Bank constantly monitors the risk profile of the mortgage portfolio and its development over time, in view of the specified risk appetite. In particular, this monitoring is conducted through the Bank's quarterly risks document which is presented to and approved by Bank Management, the Board of Directors and its Risks Management Committee. Such monitoring reveals that leading risk benchmarks continue to remain relatively low. These benchmarks include: LTV ratios, repayment ratio, rate of obligation in default and, in particular, the rate of arrears for new loans (one year since origination), which is testimony to the high quality of underwriting at the Bank. Note that the average LTV ratio for the Bank's mortgage portfolio (at end of September 2022) was 53.8% (reflecting the LTV ratio upon loan origination – see more details below). The Bank also estimates the "actual" LTV ratio for the portfolio, based on changes to property values, based on estimates by the Central Bureau of Statistics against the outstanding portfolio balances. This ratio is lower than the original LTV ratio due to the constantly higher housing prices, reflected by the mortgage inventory in the portfolio. These data support the Bank's estimate that the potential for loss due to the Bank's mortgage portfolio, even in scenarios involving material decline in housing prices, is low. In addition, the Bank regularly reviews its mortgage portfolio under stress conditions, including under significant change in macro-economic conditions, using multiple methodologies. The outcome of stress testing indicates that portfolio risk has decreased and that the potential impact of a severe stress event in the market is low.

Corona Virus pandemic

The Bank continues to closely monitor the developments and implications of the Corona Virus outbreak on its customers, with attention paid to factors that may affect the risk level in the mortgage portfolio.

The risk level in the residential mortgage portfolio decreased in the second quarter of 2021 to its pre-crisis level of Low risk, in view of the significantly lower volume of loans subject to deferral and with most of the customers subject to deferral resuming regular payments and the low, steady readings of key risk benchmarks. The Bank continued to monitor this activity and risk aspects with regard to the following: The outstanding deferral amount and the partial repayment rates, deferral period, borrower profile, LTV ratio and so forth. The Bank also monitors development of borrower behavior after expiration of the repayment deferral.

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

	Loans granted (NIS in millions)		
	Nine months		Rate of Change
	2022	2021	In %
Mortgages issued (for housing and any purpose)			
From the Bank's funds	33,981	27,640	22.9
From funds of the Finance Ministry:			
Directed loans	158	197	(19.8)
Standing loans and grants	71	48	47.9
Total new loans	**34,210**	**27,885**	**22.7**
Refinanced loans	4,556	5,455	(16.5)
Total loans originated	**38,766**	**33,340**	**16.3**
Number of borrowers (includes refinanced loans)	49,445	49,145	0.6

Below are details of various risk attributes of the residential mortgage portfolio(1)(4) as of September 30, 2022 (NIS in millions):

LTV ratio	Repayment ratio out of regular income	Loan age(2) (time elapsed since loan grant): Up to 3 months	3-12 months	1-2 years	2-5 years	5-10 years	Over 10 years	Total
Up to 60%	Up to 35%	3,075	14,404	15,375	29,699	26,443	11,205	100,201
	35%-50%	1,046	3,159	2,682	4,239	5,317	3,267	19,710
	50%-80%	1	1	8	17	325	907	1,259
	Over 80%	-	-	1	1	21	88	111
60%-75%	Up to 35%	2,370	12,244	12,055	17,522	11,179	3,015	58,385
	35%-50%	1,165	3,208	2,157	1,950	1,873	974	11,327
	50%-80%	-	1	2	6	70	233	312
	Over 80%	-	-	-	-	1	20	21
Over 75%	Up to 35%	26	139	136	277	237	953	1,768
	35%-50%	7	61	102	138	58	254	620
	50%-80%	-	-	-	-	(14)	58	44
	Over 80%	-	-	-	-	-	12	12
Total		**7,690**	**33,217**	**32,518**	**53,849**	**45,510**	**20,986**	**193,770**
Loans granted with original amount over NIS 2 million		1,402	5,398	3,796	3,989	2,570	833	17,988
Percentage of total residential mortgages		18.2%	16.3%	11.7%	7.4%	5.6%	4.0%	9.3%
Loans bearing variable interest:								
Non-linked, at prime lending rate		2,934	13,614	11,822	17,488	13,496	7,626	66,980
CPI-linked(3)		910	2,250	1,810	1,062	649	3,048	9,729
In foreign currency(3)		178	572	529	1,143	833	802	4,057
Total		4,022	16,436	14,161	19,693	14,978	11,476	80,766
Non-linked loans at prime lending rate, as percentage of total residential mortgages		38.2%	41.0%	36.4%	32.5%	29.7%	36.3%	34.6%
CPI-linked loans bearing variable interest as percentage of total residential mortgages		11.8%	6.8%	5.6%	2.0%	1.4%	14.5%	5.0%
Loans with LTV over 75% as percentage of total residential mortgages		0.4%	0.6%	0.7%	0.8%	0.6%	6.1%	1.3%

(1) Balance of residential mortgages after provision for credit losses.

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

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

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

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

(4) Data as of September 30, 2022 is presented after application of the calculation method as set forth in Note 9 to the financial statements, with no material effect.

Attributes of the Bank's residential mortgages portfolio

The Bank's policies with regard to mortgages are based on a conservative approach, limiting specific risk for each loan by evaluating various attributes. These attributes include: LTV ratio, ratio of repayment to regular borrower income, and borrower capacity to make current repayments even under scenarios involving a change in interest rates. Whenever loans are granted with attributes which do not meet one or more of the standards set by the Bank for these attributes, the Bank requires additional bolstering for the loan, such as guarantors for the loan, proven repayment capacity not based on regular borrower income etc. In recent years, due to expansion of the housing market and relatively low interest environment, the Bank has enhanced measures taken to monitor and mitigate risk, as reflected by loan risk factors, as detailed below (all data below as of September 30, 2022).

LTV

One of the key parameters used by the Bank in minimizing risk in its residential mortgage portfolio is the LTV ratio (ratio of loan amount to value of the property pledged as collateral).
The average loan-to-value ratio for the Bank's mortgage portfolio as of September 30, 2022 was 53.9%, compared to 53.8% on September 30, 2021 and to 53.4% on December 31, 2021. Out of the total loan portfolio of the Bank, amounting to NIS 194.1 billion, some 98.7% were granted with an original LTV ratio under 75%, which secures the loan even in case of an extreme 25% decrease in value of the property pledged as collateral.
The LTV ratio in this report is the historical LTV ratio calculated upon loan approval, and does not account for any current repayments which reduce the loan balance nor any changes in value of properties pledged as collateral. The significant increase in housing prices, as from late 2008 and, conversely, reduced loan balances due to current repayments result in a decrease in the current "actual" LTV ratio and, as noted above, based on changes to property values as estimated by the Central Bureau of Statistics, against current portfolio balances. This ratio is lower than the historical LTV ratio. Total loans granted at LTV ratios over 75% in the past two years amounted to NIS 0.5 billion, or only 0.2% of the total residential mortgage portfolio.
Note, in this regard, that the Bank's average LTV ratio as of September 30, 2022, based on current outstanding balances (with no change to property value due to changes in housing prices) would have decreased as follows: For loans originated up to one year ago – by 3.7%. For loans originated one to 5 years ago – by 4.2%; for loans originated over 5 years ago – by 18.1%; for all loans in total – by 8.9%.

The percentage of loans granted with a high LTV ratio (over 75%) out of total residential mortgage portfolio of the Bank to 0.7% for loans granted 1-2 years ago, 0.6% for loans granted 3-12 months ago and 0.4% for loans granted in the third quarter of 2022.

Repayment as percentage of regular income

The LTV ratio of a residential mortgage is a benchmark of loan risk for loans based only on collateral value, regardless of borrower attributes. Therefore, in addition, when a mortgage is approved, the Bank requires borrowers to show their capacity to make current loan repayments on schedule, primarily by calculating the ratio of monthly repayment to regular borrower income, net after taxes and contributions to long-term savings.

The average repayment ratio for the Bank's residential mortgage portfolio is 26.3%. 83.0% of the Bank's mortgage portfolio were granted to borrowers with a repayment ratio under 35% (the average repayment ratio for these borrowers is: 23.2%). Some 16.0% of the mortgage portfolio were granted to borrowers with a repayment ratio of 35% to 50% (the average repayment ratio for these borrowers is: 39.3%). 0.9% of mortgages were granted to borrowers with a repayment ratio of 50% to 80% (the average repayment ratio for these borrowers is 59.4%), and only 0.1% were granted to borrowers with a repayment ratio over 80% (the average repayment ratio for these borrowers is: 91.9%).

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

For more information about the revision of loan repayment to income ratio (PTI), see Note 9 to the financial statements.

Loans bearing variable interest

The Bank offers customers residential mortgages which in part bear adjustable interest and in part are linked (to CPI, foreign currency) or non-linked (NIS-denominated loans).
On December 27, 2020, the Bank of Israel issued an update to Proper Conduct of Banking Business Directive 329 concerning "Restrictions on extending residential mortgages". The update includes elimination of the restriction on lending at the prime lending rate, so that the restriction of at least one third of the mortgage that must bear fixed interest remains, and up to two thirds may be extended bearing variable interest.

The amendments to the directive pursuant to the circular are effective as from January 17, 2021. For residential mortgages intended to finance early repayment of a loan extended by the Bank or by another bank, the amendment shall apply as from February 28, 2021.

The Bank provides customers with the knowledge and expertise of its staff in order for customers to understand the risk involved with a loan bearing adjustable interest and how this risk may be mitigated or avoided. The Bank advises customers to attribute appropriate weighting to this risk, and to be cautious when deciding upon the loan composition.
Total loans linked to the prime lending rate granted over the past two years, which constitute the major portion of risk associated with such mortgages, is NIS 28.4 billion, or 14.6% of the residential mortgage portfolio.
Note that before approving a loan linked to the prime lending rate, similar to loan approvals for other variable interest tracks, the Bank evaluates the repayment capacity of the borrower under scenarios where the prime lending rate would increase to the "normative interest rate".

Loan amount

Loans granted by the Bank with an original amount over NIS 2 million amounted in total to NIS 18.0 billion on September 30, 2022, or only 9.3% of the Bank's residential mortgage portfolio.

For more information about residential mortgages risk, see also the 2021 Risks Report available on the Bank website.

Operational Risk

Risk description and development thereof

Operating risk is material as it occurs across all areas of activity and in all Bank units. Operating risk may potentially impact earnings, revenues, capital and reputation of the Bank and is correlated with other risks, such as: market risk, credit risk, liquidity risk, reputation risk and other risks. Operating events sometimes occur which are not under control of the Bank, and may develop as a result of external events, some of which are unforeseen, with chances of occurring which cannot be estimated in advance, such as: natural disaster (earthquake, flooding), pandemic or security event. Therefore, efficient risk management is crucial for the Bank's risk management processes.

Operational risk is inherent in all products, activities, processes and systems at the Bank. With the developments in global markets and the higher complexity of financial activity and supporting technological infrastructure, an understanding has emerged, that Bank exposure to potential loss due to failures in regular operating activity may impact the business activity.

Operational risk is defined by the Bank of Israel as the risk of loss due to inappropriateness or failure of internal procedures, people, systems or due to external events.

The Bank has defined a framework for management of operational risks, which includes a definition of corporate governance that specifies the roles and responsibilities of the lines of defense and the importance of deploying an appropriate operational risk management culture at the Bank.

The Bank actively handles operational risk in order to support operations of the business units, to improve major business processes associated with their operations and thus, to increase business value, rather than only reduce expected loss due to operational risk.

Operational events are classified under seven risk categories, in conformity with Basel principles: Embezzlement (Bank defrauded by its employees), external fraud (Bank defrauded by customer), work practices and safety of the work environment (loss due to actions not in line with labor laws or agreements), practices regarding customers, products and business (failure to meet obligations to customer), damage to physical assets, performance, distribution and process management and business disruptions and system failures. The Bank manages and measures operational risk base on these categories as well.

Business continuity

The Bank applies Proper Conduct of Banking Business Directive 355 concerning "Management of business continuity".
In the third quarter of 2022, the Bank continued to monitor the state of morbidity. The Bank continues to maintain all emergency provisions, in anticipation of any renewed outbreak. The Bank continues to monitor the morbidity and quarantine rate, and adheres to current procedures and guidelines issued by the Bank of Israel and by the Government, including the capacity to work remotely.
In the third quarter, the Bank continues to implement the annual work plan and the exercise plan for 2022, including the following: Extensive exercise of a cyber scenario, to test the effects of such reference scenario on functioning of the Bank's business and operating units. As part of this exercise, division-level situation rooms were opened to address business and operating events under a technology outline impacted by a cyber event. The Bank also reviewed, in conjunction with a paper published by the Bank of Israel regarding addressing a technology failure event which materially impacts the business process in the trading room, its operating plans for a continued technology failure event which impacts critical service in the trading room and the alternative procedures and work processes for this case.

As part of this review, the solutions and actions to mitigate the impact of such event and to continue providing service were presented, including in case of technology failure.
As for Group-level control, in this quarter, too, the Bank continued to maintain constant contact with business continuity units of the Group and its overseas branches.

Information security and cyber defense

Information security and cyber risk – Information security risk is risk arising from faults in protection of the Bank's computer systems and information stored there. Cyber risk arises from an event including an attack on computer systems by or on behalf of internal or external adversaries of the Bank.

Directive 361 with regard to Cyber Defense Management provides guidelines for proper management of cyber risks, which require expansion and adjustment of the IT risks management framework with regard to the threat space perception and the required defensive capabilities. Accordingly, the Bank has approved strategy and comprehensive cyber defense policies and has specified the defense lines for their implementation, has appointed an Chief Information Security Officer, reporting to the Manager, Risks Control Division – responsible, inter alia, for setting policies on information security and cyber defense at the Bank, development of a cyber defense work plan, monitoring the implementation of this work plan and review of the effectiveness of systems and processes for information security and cyber defense.

Direct banking systems at the Bank include information security processes in conformity with Proper Conduct of Banking Business Directive 367, including authentication mechanisms, transmission of information to customers and identification of exceptional transactions.

In the third quarter of 2022, risk remained Medium. In this quarter, a small number of fraud attempts against customers (through fishing attacks) were identified, in which their account credentials were stolen in order to conduct un-authorized transactions in their accounts. Thanks to defensive measures applied by the Bank, despite these fraud attempts, there were no unauthorized transactions in customer accounts.

The Bank continues to reinforce the defense mechanisms applied in Bank systems, in order to further limit the ability to defraud customers and to conduct un-authorized transactions in customer accounts. These actions are part of the debrief and lesson learning processes in place at the Bank with regard to this evolving threat.

The Bank's information security 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.

Note that the Corona Virus pandemic and its implications for various operations and organizations resulted in higher cyber risk world-wide. Action taken by the Bank which continued to be applied during this period, retained the risk level at the Bank unchanged.

IT risk

IT risk is risk arising from failure of the Bank's IT systems as a result of deficient availability and performance of these systems, incorrect performance and lack of support by the systems for the Bank's business needs.

In recent years, the risks associated with IT management have increased, due to development and deployment of new technologies and evolution of new risk and threats. Other than under routine conditions, the IT management framework addresses system failures, such as: system faults and preparation for emergency situations. This is also intended to ensure that the Bank maintain business continuity during an alert or emergency. This may mitigate reputation risks and business risks which could arise under such conditions.

The Technology Division Manager is responsible for management of IT assets and the management framework is specified in a special policies document, in line with principles specified in policy documents on risks management and control at the Bank. The IT asset management policy is in line with requirements of the Supervisor of Banks and, in particular, with the principles stipulated in Proper Conduct of Banking Business Directive 357 "IT management"; Proper Conduct of Banking Business Directive 350 "Operational risk management"; Proper Conduct of Banking Business Directive 355 "Business continuity management" and Proper Conduct of Banking Business Directive 361 "Cyber security management".

Risk appetite is defined in quantitative and qualitative terms under normal and emergency scenarios, with the Bank's risk appetite in operational aspects for IT risk included under management of operational risk appetite. Risk appetite for technology aspects is defined by multiple benchmarks, including risk levels on the map of technology risk and specific risk appetite for diverse risk factors.

The Bank operates multiple measures to mitigate risk, including use of indicators (KRI) and support systems. Note that the SOC (Security Operation Center) operates 24/7 and is responsible for monitoring Bank infrastructure and systems, analyzing logs and identifying anomalies in real time, unusual behavior of users and systems in the network from information and cyber security aspects. The Bank also has a NOC (Network Operations Center), operating 24/7 as an operational unit for presenting the unified picture of enterprise infrastructure, capability for monitoring and forecasting faults, analyzing logs and identifying anomalies from technology risk aspects. In the first half of 2022, the Bank continued to reinforce its capacity to identify malfunctions in early stages, and expanded the use of bots to improve the effectiveness of system availability monitoring.

Given current developments in the financial market and the age of current Bank systems, the Bank launched, in the first quarter of 2019, a project to replace the Bank's capital market core system based on a new platform.

Moreover, in 2019 the Bank launched a project to replace the CRM system, which would take place gradually over several years. In March 2022, several milestones reached a production pilot stage, after which they would be deployed across the Bank, concurrently with continued development of the next milestones.

As part of the Union Bank merger process, the Bank's Technology Division is conducting a technology merger program, consisting of multiple projects designed to transfer Union Bank activity that is based on Bank Leumi and Union Bank systems and integrating them with the Bank's systems.

This information constitutes forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank Board of Directors. The assumptions may fail to materialize due to factors not entirely under the Bank's control.

The risk level during this quarter and throughout the Corona Virus crisis remained unchanged. The Technology Division operated in providing full support for regular operations at the Bank and for technology needs required for Bank operations during emergency routine operations. There were no material events and/or malfunctions during this period. Note that computer systems at Bank Yahav were unavailable on June 30, 2022 through 10:30am, due to maintenance work which lasted longer than planned. No unusual events occurred due to this unavailability and bank customers received full service.

Legal risk

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).

Legal risk includes risks arising from legislative and regulatory provisions, rulings by judiciary or quasi-judiciary authorities as well as legal risks arising from regular Bank operations. The Chief Legal Counsel for the Bank has been appointed Chief Legal Risks Manager. The Bank constantly strives to minimize as much as possible the legal risks associated with its current operations, and acts to disseminate a practical culture leading to identification and mitigation of legal risk in all its different aspects.

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.

In the first nine months of 2022, legal risk remained Low-medium.

For more information about operational risk, see the Risks Report for the third quarter of 2022, available on the Bank website.

Market risk and interest risk

Risk description and development thereof

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).

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

The market risk in the trading portfolio is minimal, in line with Bank policy. The Bank structure, which is weighted towards the mortgage portfolio, produces long-term uses for which the Bank requires sources. The Bank regularly reviews the risk estimation methodology, in line with global common practice.

Note that Union Bank's nostro portfolio reflects risk that is higher than the Bank's risk appetite. However, at the Bank level on consolidated basis, the impact of this portfolio is not material.

Assessment of Bank exposure to interest risks in the first nine months of 2022 is Low-medium.

Risk values measured in the normal course of business and under stress scenarios were higher in this quarter, due to current banking operations and to higher capitalization curves. Furthermore, the Bank continued to strictly manage its CPI-linked position, based on creating a daily linkage balance sheet and establishing a forecast position under various scenarios.

Below is the VAR for the Bank Group (NIS in millions):

	September 30		All of
	2022	**2021**	**2021**
At end of period	583	587	592
Maximum value during period	(Jul)1,018	(Feb) 810	(Feb) 810
Minimum value during period	(Apr) 533	(Jul) 532	(OCT) 521

Market risk is primarily due to interest risk in the bank portfolio, as presented below.

Back-testing of the historical-analytic VAR model in the overall portfolio showed no profit/loss observations which deviate from the VAR model forecast. Absence of such deviations is in line with the criteria as defined by the Basel Committee for review of the VAR model quality.

Analysis of interest risk in bank portfolio

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

	September 30, 2022					
	Change in fair value					
	Israeli currency		**Foreign currency**			
	Non-linked	**Linked to CPI**	**USD**	**EUR**	**Other**	**Total**
2% increase	(505)	(2,209)	454	26	18	(2,216)
2% decrease	383	2,360	(455)	12	(20)	2,280
	September 30, 2021					
2% increase	(737)	(1,700)	372	2	19	(2,044)
2% decrease	(325)	984	(393)	30	(21)	275
	December 31, 2021					
2% increase	(905)	(1,187)	418	14	16	(1,644)
2% decrease	(82)	427	(439)	14	(17)	(97)

(1) Calculated based on current data used for actual interest risk management.

In preparing the mortgage repayment cash flows forecast for the Bank, assumptions with regard to the prepayment rate and manner are taken into account.

Credit balances in checking accounts are attributed in line with common practice in conformity with the Basel directives, i.e. over an average term of 3-4 years for different customer types.

The Bank regularly reviews the risk estimation methodology, in line with global common practice.

Under the concurrent scenario of interest rate increase by 1%, the capital reserve with respect to securities is expected to decrease by NIS 303 million.

Quantitative information about interest risk – Sensitivity analysis

Net adjusted fair value[1] of financial instruments of the Bank and its subsidiaries thereof:

	As of September 30, 2022			As of September 30, 2021			As of December 31, 2021		
	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total
Net adjusted fair value[1]	21,088	1,089	22,177	17,358	445	17,803	18,054	363	18,417
Of which: Banking portfolio	12,922	5,138	18,060	(9,395)	26,029	16,634	14,355	2,250	16,605

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

	As of September 30, 2022			As of September 30, 2021			As of December 31, 2021		
	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total
Concurrent changes									
Concurrent 1% increase	(1,008)	261	(747)	(215)	230	15	57	134	191
Of which: Banking portfolio	(743)	251	(492)	(196)	237	41	95	140	235
Concurrent 1% decrease	483	(357)	126	(120)	(233)	(353)	(297)	(193)	(490)
Of which: Banking portfolio	175	(346)	(171)	(129)	(236)	(365)	(333)	(199)	(532)
Non-concurrent changes									
Steeper[3]	(897)	140	(757)	(257)	(1)	(258)	(240)	(32)	(272)
Shallower[4]	933	(11)	922	249	76	325	311	87	398
Short-term interest increase	413	247	660	214	182	396	314	163	477
Short-term interest decrease	(214)	(257)	(471)	81	(187)	(106)	85	(168)	(83)

(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 terms.
(2) Includes Israeli currency linked to foreign currency.
(3) Short-term interest decrease and long-term interest increase.
(4) Short-term interest increase and long-term interest decrease.

The difference between Bank exposure to changes in interest according to net adjusted fair value and sensitivity of economic value (EVE) presented above, under a 1% concurrent shift of the curve, amounts to NIS 533 million.

Most of this difference is due to use of different capitalization curves. The capitalization curves used to analyze sensitivity of economic value (EVE) are transfer pricing curves, while discount rates used to present net adjusted fair value are possible discount rates for similar transactions on the balance sheet date, reflecting the inherent risk for a similar customer.

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

See Note 15 to the financial statements for additional information.

For more information about assumptions used in calculation of the fair value of financial instruments, see Note 33 to the financial statements as of December 31, 2021.

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

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

	As of September 30, 2022			As of September 30, 2021			As of December 31, 2021		
	Interest revenues	Non-interest financing revenues(3)	Total	Interest revenues	Non-interest financing revenues(3)	Total	Interest revenues	Non-interest financing revenues(3)	Total
Concurrent changes(2)									
Concurrent 1% increase	753	110	863	1,272	54	1,326	1,291	30	1,321
Of which: Banking portfolio	752	89	841	1,272	53	1,325	1,291	47	1,338
Concurrent 1% decrease	(1,404)	(282)	(1,686)	(1,167)	(53)	(1,220)	(1,158)	(36)	(1,194)
Of which: Banking portfolio	(1,404)	(262)	(1,666)	(1,167)	(56)	(1,223)	(1,157)	(59)	(956)

(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.

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

- Credit balances in checking accounts are attributed in line with common practice in conformity with the Basel directives, i.e. over an average term of 3-4 years for different customer types.
- When calculating sensitivity of interest revenues, the risk-free interest rate is not capped at a minimum of 0%. In the same way, no cap is applied to the discount rate at 0% when calculating non-interest financing revenues.
- Due to the change in the interest rate environment, behavioral assumptions with respect to credit balances in current accounts and in the securities portfolio have been revised. The assumption is that a scenario of higher interest rates would result in transition from current account balances to interest-bearing deposits and in changes to bonds in the nostro portfolio.

For further details of assumptions used in calculation of the fair value of financial instruments, see Note 15 to these financial statements and Note 33 to the financial statements as of December 31, 2021.

Analysis of CPI and exchange rate exposures

Below is analysis of the sensitivity of Bank Group capital to changes in major exchange rates and in the CPI (before tax effect) as of September 30, 2022, capital increase (erosion) (NIS in millions):

	Scenarios				Historical stress scenario(1)	
	10% increase	5% increase	5% decrease	10% decrease	Maximum increase	Maximum decrease
CPI(2)	2,419.9	1,209.9	(1,209.9)	(2,419.9)	274.2	(217.1)
USD	26.1	13.1	(11.9)	(21.2)	7.9	(8.5)
GBP	0.4	0.2	(0.2)	(0.4)	0.2	(0.3)
JPY	0.6	0.2	0.2	0.6	0.2	0.3
EUR	1.3	0.9	1.0	4.2	0.7	1.1
SFR	(0.2)	(0.1)	0.1	0.2	(0.2)	0.1

(1) Stress scenarios were calculated based on daily changes in the exchange rate and monthly changes in the CPI, in the last 10 years.
(2) Capital sensitivity to a 3% increase / decrease in the CPI is NIS 726.0 million and NIS (726.0) million, respectively.

The Corona Virus crisis resulted in lower inflationary expectations due to the expected decrease in demand. The Bank continued to strictly manage its CPI-linked position, based on creating a daily linkage balance sheet and establishing a forecast position under various scenarios.

For more information about market and interest risk, see the Risks Report on the Bank website.

Share price risk

For more information about share price risk, see the 2021 Risks Report available on the Bank website.

For information about equity investments, see Note 5 to these financial statements and Notes 12 and 15.A to the 2021 financial statements.

Liquidity and financing risk

Risk description and development thereof

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

Financing risk – risk resulting from shortage of financing sources or too high costs to raise such sources.

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

There were no deviations from the Board of Directors' limitations recorded in the first nine months of 2022.

In the third quarter of 2022, the alert level at the Bank was raised to Yellow, due to the continued war in the Ukraine and due to market volatility. This alert level includes operational measures designed to ensure that the Bank maintains appropriate liquidity in times of crisis. In practice, no events and/or indications were observed which would indicate realization of a liquidity event.

In May 2022, the Supervisor of Banks granted Union Bank a waiver for application of Proper Conduct of Banking Business Directive 342 "Liquidity risk management" and Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio" and transfer of liquidity management, in effect, to the Bank. As from June 1, 2022, the Bank manages liquidity risk for Union Bank, with liquidity ratios at the Bank measured on solo basis from a consolidated viewpoint, i.e. jointly with Union Bank data. Controls over calculation of these ratios are applied by the second line at the Bank. The liquidity desk at Union Bank continues to operate and manage business liquidity at Union Bank, while adhering to internal liquidity limits set by the Bank.

For more information about financing sources, see chapter "Developments in financing sources" above.

For more information about financing risk, see also the 2021 Risks Report available on the Bank website.

Liquidity coverage ratio

In conformity with Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio", the minimum regulatory requirement is 100%. As part of its risks management policy, the Bank's Board of Directors specified that additional safety cushions are to be maintained, beyond the regulatory minimum ratio; so that the target liquidity coverage ratio for the Bank and the Group in 2022 would by 5% higher than the minimum required. This ratio is managed and reported for all currencies in aggregate and for NIS separately, both at Bank level and on Group basis. The ratio for the Bank solo and the consolidated ratio are calculated daily and reported as the average of daily observations over 90 days prior to the report date. This directive is in addition to liquidity risk management using internal models, as stipulated by Directive 342.

The average liquidity coverage ratio (consolidated, including data for Union Bank) for the third quarter of 2022 was 119%. As noted above, in this period there were no recorded deviations from these restrictions.

Net stable funding ratio

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

As of September 30, 2022, the ratio on consolidated basis was 116%.

As of September 30, 2022, the balance of the three largest depositor groups at the Bank Group amounted to NIS 16.0 billion.

Raising sources and liquidity at the Bank – In the first nine months of 2022, deposits from the public rose from NIS 307.9 billion on December 31, 2021 to NIS 345.3 billion on September 30, 2022, an increase by 12.2%.

In the non-linked segment, deposits from the public amounted to NIS 260.4 billion, an increase by 11.7% compared to end of 2021. In the CPI-linked sector, deposits from the public amounted to NIS 23.2 billion, an increase by 7.8% compared to end of 2021, and in the foreign currency sector – to NIS 61.8 billion, an increase by 16.0% compared to end of 2021.

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

Other risks

Compliance and regulatory risk

Risk description and development thereof

Compliance risk is the risk of imposition sanctions, material financial loss or damage to reputation, which the Bank may incur due to its failure to comply with compliance provisions.

Compliance risk includes conduct risk, cross-border risk, AML risk and terror financing risk, presented separately below.

The compliance and regulatory Risk Manager for the Bank is the Manager, Risks Control Division. The Compliance Officer is responsible for continuous management of this risk.

Compliance risk remained unchanged in the first nine months of 2022 at Low-medium.

This risk assessment is due, *inter alia*, to addressing of risks classified as high and to further enhancement of controls, training delivery, findings of surveys and audit reports and improvement in efficiency of work processes in this area, while incorporating technology improvements. In the current quarter, the Bank took action to implement the applicable directives by the various regulators. The Bank also applied regular controls, in order to monitor compliance risk that may materialize during this period.

The Bank has internal enforcement programs for securities and for anti-trust law.

For more information about compliance risk and regulation, see also the 2021 Risks Report available on the Bank website.

Cross-border risk

Risk description and development thereof

Cross-border risk is the risk of financial loss (including due to legal proceedings, fines or sanctions imposed by statutory authorities or others in Israel and in other countries) and of impact to reputation, arising from the Bank's failure to comply with statutory provisions originating in other countries – whether provisions binding on the Bank or provisions which are not binding, but failure to comply with them may cause the Bank to incur damage, or from overseas activities of Bank customers in contravention of any statutory provisions.

Cross-border risk includes, *inter alia*, risk of damage, including impact to reputation, due to lawsuits or other enforcement proceedings brought by authorities in other countries, with regard to foreign tax laws applicable to certain Bank customers, AML and terror financing laws, sanctions imposed by international bodies and foreign authorities or other laws. Cross-border risk also applies to the Bank's overseas affiliates, in activity with foreign-resident customers.

Cross-border risk includes the risk arising from obligations arising from US tax laws applicable to Bank Group operations outside of the USA (the Foreign Account Tax Compliance Law – "FATCA" and Qualified Intermediary – "QI"). This risk is also due to obligations stipulated by the Common Reporting Standard (CRS) issued by the OECD.

The Bank has near-zero appetite for cross-border risk.

Cross-border risk remained unchanged in the first nine months of 2022 and is defined as low-medium. The Bank manages this risk by revising procedures, automating work processes, specifying cross-border risk level for account, delivering training, concentrating activity of foreign residents in specialized branches and specification of work routines in processes required tor reporting under both FATCA and CRS.

The Bank also monitors regulatory updates from relevant countries for the Bank and its affiliates, and implements them if applicable.

Because of the Russian invasion of the Ukraine, sanctions were imposed by OFAC, the EU, UN, UK and other countries on entities / individuals / banks in Russia and on specific regions in the Ukraine. The Bank has implemented these sanctions and has revised work processes to ensure compliance with the sanction regime and to ensure that no transactions are conducted designed to bypass these sanctions.

AML risk

Risk description and development thereof

AML risk is the risk of financial loss (including due to legal proceedings, penalties or sanctions imposed by authorities in Israel and in other countries) and impact to reputation, which the Bank may incur due to breach of various statutory provisions regarding the Bank's obligations with regard to AML.

The Bank has zero risk appetite with regard to AML risk.

AML risk remained unchanged in the first nine months of 2022 and is defined as low-medium. The risk assessment is based, inter alia, on continued risk-focused management, as reflected by revision of operating procedures and processes, including IT support and process streamlining, training and deployment activities along with risk-focused controls in the first and second lines of defense, improvement of documents and classifications, and taking effective action to prevent recurrence of unusual events and compliance failures. The new AML system – MEA – in order to identify unusual activity and for reporting to the AML Authority, is operating in branches on regular basis and enables close control over the banking activity.

Terror financing risk

Risk description and development thereof

Terror financing risk is the risk of financial loss (including due to legal proceedings, penalties or sanctions imposed by authorities in Israel and in other countries) and impact to reputation, which the Bank may incur due to breach of various statutory provisions regarding the Bank's obligations with regard to terror financing.

The Bank has zero risk appetite with regard to terror financing risk.

Terror financing risk remained unchanged in the first nine months of 2022 at Low. The risk assessment is based, inter alia, on risk assessment conducted by the Bank, on continued risk-focused management, as reflected by revision of operating procedures and processes, including IT support and process streamlining, training and deployment activities along with risk-focused controls in the first and second lines of defense, and taking effective action to prevent recurrence of unusual events and compliance failures and strict control over banking activity.

Reputational risk

Risk description and development thereof

The Bank has mapped reputation risk as a material risk, because past events indicate that impact to the reputation of a financial institution may result in significant loss of value. Reputation risk is a stand-alone risk, but may also arise from materialization of other risks at the Bank, such as materialization of an operational risk event, cyber security event or any other event. Furthermore, impact to Bank reputation may bring about the materialization of other risks, in particular liquidity risk – with growing demand by customers to withdraw deposits.
In the first nine months of 2022, reputational risk remained Low. The Bank continues to regularly monitor the impact of the Union Bank merger. To date there was no material impact on the Bank's reputational risk.

For more information about reputation risk, see also the 2021 Risks Report available on the Bank website.

Business-strategic risk

Risk description and development thereof

Business-strategic risk is the risk, in real time or potentially in future, of impact to Bank profits, capital or reputation, due to erroneous business decisions, improper deployment of decisions or insufficient preparation for changes in the business environment. This means the risk that the Bank chose the wrong strategy or that the Bank would not be able to implement the business and strategic plan as planned. The materiality of business-strategic risk requires the Bank to take measures which would allow it to manage this risk and take steps for assessment and early identification of events which may preclude implementation of the strategy.

The Bank operates in conformity with a five-year strategic plan, most recently approved by the Bank’s Board of Directors in April 2021, whose principles have been made public. The strategic plan was reviewed and challenged by Risks Control in aspects of business focus, risk profile and feasibility. Material deviation from Bank strategy is subject to approval by the Bank’s Board of Directors. Risk is regularly monitored by the Financial Information and Reporting Division, and is challenged by the Risks Control Division.

For more information about strategic-business risk, see also the 2021 Risks Report available on the Bank website.

For more information about environmental risk, see chapter "Risks Overview" of the 2021 Report of the Board of Directors and Management.

Policies and critical accounting estimates, controls and procedures

Policies and critical accounting estimates

The Bank's financial statements are prepared in conformity with generally accepted accounting policies in Israel (Israeli GAAP) and in accordance with Public Reporting Directives of the Supervisor of Banks.

For most topics, these directives are based on generally acceptable accounting practices by US banks. For other, less material topics, these directives are based on International Financial Reporting Standards (IFRS) and on generally accepted accounting principles in Israel (Israeli GAAP). When International Financial Reporting Standards (IFRS) allow multiple alternatives, or do not specifically refer to a certain situation, these directives prescribe specific implementation guidelines, mostly based on generally acceptable accounting practices by US banks.

The significant accounting policies are detailed in Note 1 to the 2021 financial statements.

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

For more information about accounting policies on critical matters, see chapter "Policies and critical accounting estimates" of the 2021 Report of te Board of Directors and Management.

For more information about changes to critical accounting policies and critical accounting estimates with regard to the provision for credit losses and other directives, see chapter "Changes to critical accounting policies and to critical accounting estimates" above.

Controls and Procedures

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

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

Evaluation of controls and procedures with regard to disclosure

Bank management, together with the Bank President & CEO and the Chief Accountant of the Bank, evaluated the effectiveness of the Bank's disclosure controls and procedures as of September 30, 2022. Based on this evaluation, the Bank President & CEO and the Chief Accountant of the Bank concluded that at the end of the period ended September 30, 2022, the disclosure controls and procedures are effective for recording, processing, summarizing and reporting the information that the Bank is required to disclose in the quarterly report, in accordance with the Public Reporting Regulations of the Supervisor of Banks, on the date stipulated in these Regulations.

Changes to internal controls

In the third quarter of 2022, no change occurred in the Bank's internal controls over financial reporting that had a material effect, or can reasonably be expected to have a material effect on the Bank's internal controls over financial reporting.

M. Vidman | Lari Moshe
Moshe Vidman | **Moshe Lari**
Chairman of the Board of Directors | President & CEO

Approval date:
Ramat Gan
November 28, 2022

Certification

I, MOSHE LARI, certify that:

1. I have reviewed the quarterly report of Bank Mizrahi Tefahot Ltd. (hereinafter: "the Bank") for the quarter ended September 30, 2022 (hereinafter: "the Report").
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact nor omit to state any material fact necessary so that the statements included therein, in light of the circumstances under which such statements were made, would not be misleading with respect to the period covered by the Report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the Report fairly present, in all material respects, the financial condition, results of operations, and changes in shareholders' equity and cash flows of the Bank as of the dates and for the periods presented in this Report.
4. I and others at the Bank who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure(1) and to the Bank's internal controls over financial reporting(1) as well as:
   - A. We have determined such controls and procedures, or caused these controls and procedures to be determined under our supervision, for the purpose of ensuring that material information relating to the Bank, including its subsidiaries, is made known to us by others in the Bank and in those entities, particularly during the period in which the Report is being prepared;
   - B. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks;
   - C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and
   - D. We have disclosed in this Report any change in the Bank's internal controls over financial reporting that occurred during this quarter, that has materially affected, or is reasonably likely to materially affect, the Bank's internal controls over financial reporting; and
5. I and others in the Bank who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Bank's independent auditors, the Board of Directors and the Audit and Balance Sheet Committees of the Board of Directors of the Bank:
   - A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting which are reasonably likely to impair the Bank's ability to record, process, summarize and report financial information; and
   - B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal controls over financial reporting.

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

Lari Moshe

Moshe Lari
President & CEO

November 28, 2022

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

Certification

I, MENAHEM AVIV, certify that:

1. I have reviewed the quarterly report of Bank Mizrahi Tefahot Ltd. (hereinafter: "the Bank") for the quarter ended September 30, 2022 (hereinafter: "the Report").
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact nor omit to state any material fact necessary so that the statements included therein, in light of the circumstances under which such statements were made, would not be misleading with respect to the period covered by the Report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the Report fairly present, in all material respects, the financial condition, results of operations, and changes in shareholders' equity and cash flows of the Bank as of the dates and for the periods presented in this Report.
4. I and others at the Bank who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure(1) and to the Bank's internal controls over financial reporting(1) as well as:
   A. We have determined such controls and procedures, or caused these controls and procedures to be determined under our supervision, for the purpose of ensuring that material information relating to the Bank, including its subsidiaries, is made known to us by others in the Bank and in those entities, particularly during the period in which the Report is being prepared;
   B. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks;
   C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and
   D. We have disclosed in this Report any change in the Bank's internal controls over financial reporting that occurred during this quarter, that has materially affected, or is reasonably likely to materially affect, the Bank's internal controls over financial reporting; and
5. I and others in the Bank who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Bank's independent auditors, the Board of Directors and the Audit and Balance Sheet Committees of the Board of Directors of the Bank:
   A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting which are reasonably likely to impair the Bank's ability to record, process, summarize and report financial information; and
   B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal controls over financial reporting.

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

Menahem Aviv
Vice-president
Chief Accountant

November 28, 2022

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

Deloitte.

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

Introduction

We have reviewed the enclosed financial information of Bank Mizrahi Tefahot Ltd. and subsidiaries thereof ("the Bank"), consisting of the condensed consolidated balance sheet as of September 30, 2022, the condensed consolidated statements of profit and loss, comprehensive income, changes to shareholder equity and cash flows for the nine-month and three-month periods then ended. The Board of Directors and management are responsible for preparation and presentation of financial information for these interim periods, in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim financial reporting and in accordance with directives and guidance of the Supervisor of Banks. We are responsible for expressing our conclusion with regard to financial information for these interim periods, based on our review.

We did not review the condensed financial information of certain consolidated subsidiaries, whose assets included in consolidation constitute 4.12% of total consolidated assets as of September 30, 2022, and whose net interest revenues before expenses with respect to credit losses included in the consolidated statements of profit and loss constitute 5.43% and 5.92% of total consolidated net interest revenues before expenses with respect to credit losses, respectively, for the nine-month and three-month periods then ended. The condensed financial information for interim periods of these companies was reviewed by other auditors, whose review reports were furnished to us, and our opinion, insofar as it relates to amounts included with respect to these companies, is based on the review reports of the other auditors.

Review scope

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

Conclusion

Based on our review, and on the review reports of other auditors, nothing has come to our attention that would cause us to assume that the aforementioned financial information has not been prepared, in all material aspects, in accordance with Israeli GAAP for interim financial reporting and in accordance with directives and guidance of the Supervisor of Banks.

Brightman Almagor
Zohar & Co.

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, November 28, 2022

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Bank Mizrahi Tefahot

Condensed Financial Statements as of September 30, 2022

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Condensed consolidated statements of profit and loss

Reported amounts (NIS in millions)

		For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
		2022	2021	2022	2021	2021
	Note		(Unaudited)		(Unaudited)	(Audited)
Interest revenues	2	4,213	2,800	11,318	8,093	10,557
Interest expenses	2	1,522	799	4,030	2,366	2,872
Interest revenues, net		2,691	2,001	7,288	5,727	7,685
Expenses (income) with respect to credit losses	6,13	155	(36)	341	(263)	(278)
Interest revenues, net after expenses with respect to credit losses		**2,536**	**2,037**	**6,947**	**5,990**	**7,963**
Non-interest revenues						
Non-interest financing revenues	3	263	63	556	318	401
Commissions		519	473	1,547	1,419	1,947
Other revenues		60	78	558	219	287
Total non-interest revenues		**842**	**614**	**2,661**	**1,956**	**2,635**
Operating and other expenses						
Payroll and associated expenses		1,002	863	2,835	2,576	3,536
Maintenance and depreciation of buildings and equipment		240	250	731	735	1,002
Other expenses		287	226	793	702	1,030
Total operating and other expenses		**1,529**	**1,339**	**4,359**	**4,013**	**5,568**
Pre-tax profit		1,849	1,312	5,249	3,933	5,030
Provision for taxes on profit		635	442	1,776	1,340	1,730
After-tax profit		**1,214**	**870**	**3,473**	**2,593**	**3,300**
Share in profit (loss) of associated companies, after tax		2	1	4	(10)	(10)
Net profit:						
Before attribution to non-controlling interests		1,216	871	3,477	2,583	3,290
Attributable to non-controlling interests		(38)	(26)	(92)	(74)	(102)
Attributable to shareholders of the Bank		**1,178**	**845**	**3,385**	**2,509**	**3,188**

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

Moshe Vidman	**Moshe Lari**	**Menahem Aviv**
Chairman of the Board of Directors	President & CEO	Vice-president, Chief Accountant

Approval date:
Ramat Gan, November 28, 2022

Condensed consolidated statements of profit and loss – Continued

Reported amounts (NIS in millions)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
		(Unaudited)		(Unaudited)	(Audited)
Earnings per share[1] (in NIS)					
Basic earnings					
Net profit attributable to shareholders of the Bank	4.59	3.30	13.26	9.82	12.47
Weighted average number of ordinary shares used to calculate basic earnings (thousands of shares)	256,828	255,804	255,211	255,402	255,679
Diluted earnings					
Net profit attributable to shareholders of the Bank	4.56	3.29	13.19	9.79	12.35
Weighted average number of ordinary shares used to calculate diluted earnings (thousands of shares)	258,300	257,027	256,613	256,344	258,056

(1) Share of NIS 0.1 par value.

Condensed consolidated statements of comprehensive income

Reported amounts (NIS in millions)

	Note	For the three months ended September 30 2022	For the three months ended September 30 2021	For the nine months ended September 30 2022	For the nine months ended September 30 2021	For the year ended December 31 2021
		(Unaudited)		(Unaudited)		(Audited)
Net profit:						
Before attribution to non-controlling interests		1,216	871	3,477	2,583	3,290
Attributable to non-controlling interests		(38)	(26)	(92)	(74)	(102)
Net profit attributable to shareholders of the Bank		**1,178**	**845**	**3,385**	**2,509**	**3,188**
Other comprehensive income (loss) before taxes	4					
Adjustments for presentation of available-for-sale bonds at fair value, net		(177)	9	(872)	(26)	25
Adjustments from translation of financial statements of investments in associated companies(1)		-	-	-	(1)	(1)
Net gains (losses) with respect to cash flows hedging		8	(4)	14	(35)	(33)
Adjustments of liabilities with respect to employees' benefits(2)		124	8	522	49	(18)
Total other comprehensive income (loss), before tax		**(45)**	**13**	**(336)**	**(13)**	**(27)**
Related tax effect		(11)	(5)	96	3	7
Other comprehensive income (loss) after taxes(3)						
Other comprehensive income (loss), before attribution to non-controlling interests		(56)	8	(240)	(10)	(20)
Less other comprehensive income (loss) attributed to non-controlling interests		2	-	9	6	7
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes		**(58)**	**8**	**(249)**	**(16)**	**(27)**
Comprehensive income:						
Before attribution to non-controlling interests		1,160	879	3,237	2,573	3,270
Attributable to non-controlling interests		(40)	(26)	(101)	(80)	(109)
Comprehensive income attributable to shareholders of the Bank		**1,120**	**853**	**3,136**	**2,493**	**3,161**

(1) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.
(2) Includes adjustments with respect to actuarial estimates included in the reported period for defined-benefit pension plans and current amortization of adjustments with respect to liabilities to profit and loss.
(3) For more information see Note 4 to the financial statements – cumulative other comprehensive income (loss).

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

Condensed consolidated balance sheets

Reported amounts (NIS in millions)

	Note	As of September 30 2022	As of September 30 2021	As of December 31 2021
		(Unaudited)	(Unaudited)	(Audited)
Assets				
Cash and deposits with banks		95,596	96,365	95,267
Securities[1][2]	5	14,379	14,749	15,033
Securities borrowed or purchased in resale agreements		914	383	1,332
Loans to the public	6,13	306,908	261,905	273,531
Provision for credit losses	6,13	(2,804)	(2,163)	(2,103)
Loans to the public, net	6,13	304,104	259,742	271,428
Loans to Governments		339	479	477
Investments in associated companies		106	28	69
Buildings and equipment		1,410	1,667	1,734
Intangible assets and goodwill		185	216	208
Assets with respect to derivatives	11	8,695	2,769	3,652
Other assets		4,039	3,165	3,071
Total assets		**429,767**	**379,563**	**392,271**
Liabilities and Equity				
Deposits from the public	7	345,339	303,921	307,924
Deposits from banks		7,725	6,801	6,992
Deposits from the Government		48	102	81
Bonds and subordinated notes		31,352	32,664	38,046
Liabilities with respect to derivatives	11	7,549	2,626	3,753
Other liabilities [3]		13,708	11,688	13,746
Total liabilities		**405,721**	**357,802**	**370,542**
Shareholders' equity attributable to shareholders of the Bank		22,989	20,831	20,770
Non-controlling interests		1,057	930	959
Total equity		**24,046**	**21,761**	**21,729**
Total liabilities and equity		**429,767**	**379,563**	**392,271**

(1) Of which: NIS 10,427 million at fair value on consolidated basis (on September 30, 2021: NIS 11,280 million; on December 31, 2021: NIS 11,685 million).
(2) For more information with regard to securities pledged or provided as collateral to lenders, see Note 5 to the financial statements.
(3) Of which: Provision for credit losses with respect to off balance sheet credit instruments amounting to NIS 186 million (on September 30, 2021: NIS 208 million, on December 31, 2021: NIS 211 million).

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

Condensed Statements of Changes in Shareholders' Equity

Reported amounts (NIS in millions)

	Share capital and premium[1]	Capital reserve from benefit from share-based payment transactions	Total paid-up share capital and capital reserves	Cumulative other comprehensive income (loss)[3]	Retained earnings[4]	Total shareholders' equity	Non-controlling interests	Total equity
	For the three months ended September 30, 2022 (unaudited)							
Balance as of June 30, 2022	3,500	80	3,580	(494)	19,080	22,166	1,017	23,183
Net profit for the period	-	-	-	-	1,178	1,178	38	1,216
Dividends paid[5]	-	-	-	-	(316)	(316)	-	(316)
Benefit from share-based payment transactions	-	19	19	-	-	19	-	19
Realization of share-based payment transactions[2]	17	(17)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	(58)	-	(58)	2	(56)
Balance as of September 30, 2022	**3,517**	**82**	**3,599**	**(552)**	**19,942**	**22,989**	**1,057**	**24,046**
	For the three months ended September 30, 2021 (unaudited)							
Balance as of June 30, 2021	3,460	72	3,532	(300)	17,212	20,444	919	21,363
Net profit for the period	-	-	-	-	845	845	26	871
Dividends paid	-	-	-	-	(483)	(483)	-	(483)
Benefit from share-based payment transactions	-	17	17	-	-	17	-	17
Realization of share-based payment transactions[2]	35	(35)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	8	-	8	-	8
Dividends attributable to non-controlling interests in subsidiary	-	-	-	-	-	-	(15)	(15)
Balance as of September 30, 2021	**3,495**	**54**	**3,549**	**(292)**	**17,574**	**20,831**	**930**	**21,761**

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

(2) In the third quarter of 2022, 539,821 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.
In the third quarter of 2021, 957,280 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.

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

(4) For information about various restrictions on dividend distribution, see Note 24 to the 2021 financial statements.

(5) On August 16, 2022, a dividend distribution amounting to NIS 316 million was made in conformity with resolution by the Bank's Board of Directors.

- On November 28, 2022, after the balance sheet date, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 353.4 million, or 30% of earnings in the third quarter of 2022. According to accounting rules, this amount will be deducted from retained earnings in the fourth quarter of 2022.

Condensed Statement of Changes in Shareholders' Equity – Continued

Reported amounts (NIS in millions)

	Share capital and premium[(1)]	Capital reserve from benefit from share-based payment transactions	Total paid-up share capital and capital reserves	Cumulative other comprehensive income (loss)[(2)]	Retained earnings[(3)]	Total shareholders' equity	Non-controlling interests	Total equity
	For the nine months ended September 30, 2022 (unaudited)							
Balance as of December 31, 2021	3,497	76	3,573	(303)	17,500	20,770	959	21,729
Opening balance adjustment for effect of initial application of US GAAP with regard to credit losses[(4)]	-	-	-	-	(355)	(355)	(3)	(358)
Adjusted balance as of January 1, 2022 after initial application	3,497	76	3,573	(303)	17,145	20,415	956	21,371
Net profit for the period	-	-	-	-	3,385	3,385	92	3,477
Dividends paid[(5)]	-	-	-	-	(588)	(588)	-	(588)
Benefit from share-based payment transactions	-	26	26	-	-	26	-	26
Realization of share-based payment transactions[(6)]	20	(20)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	(249)	-	(249)	9	(240)
Balance as of September 30, 2022	**3,517**	**82**	**3,599**	**(552)**	**19,942**	**22,989**	**1,057**	**24,046**
	For the nine months ended September 30, 2021 (unaudited)							
Balance as of December 31, 2020	3,445	87	3,532	(276)	15,548	18,804	865	19,669
Net profit for the period	-	-	-	-	2,509	2,509	74	2,583
Dividends paid[(5)]	-	-	-	-	(483)	(483)	-	(483)
Benefit from share-based payment transactions	-	17	17	-	-	17	-	17
Realization of share-based payment transactions[(6)]	50	(50)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	(16)	-	(16)	6	(10)
Dividends attributable to non-controlling interests in subsidiary	-	-	-	-	-	-	(15)	(15)
Balance as of September 30, 2021	**3,495**	**54**	**3,549**	**(292)**	**17,574**	**20,831**	**930**	**21,761**
	For the year ended December 31, 2021 (audited)							
Balance as of December 31, 2020	3,445	87	3,532	(276)	15,548	18,804	865	19,669
Net profit for the period	-	-	-	-	3,188	3,188	102	3,290
Dividends paid[(5)]	-	-	-	-	(1,236)	(1,236)	-	(1,236)
Benefit from share-based payment transactions	-	41	41	-	-	41	-	41
Realization of share-based payment transactions[(6)]	52	(52)	-	-	-	-	-	-
Dividends attributable to non-controlling interests in subsidiary	-	-	-	-	-	-	(15)	(15)
Other comprehensive income (loss), net, after tax	-	-	-	(27)	-	(27)	7	(20)
Balance as of December 31, 2021	**3,497**	**76**	**3,573**	**(303)**	**17,500**	**20,770**	**959**	**21,729**

(1) Share premium generated prior to March 31, 1986.
(2) For more information see Note 4 – Cumulative other comprehensive income.
(3) For information about various restrictions on dividend distribution, see Note 24 to the 2021 financial statements.
(4) Cumulative effect of initial application of US GAAP with regard to financial instruments – credit losses (ASU 2016-13) and updates there to. See also Note 1.D.1.
(5) On March 15, 2022, August 16, 2022, November 30, 2021 and August 16, 2021, the Bank paid dividends amounting to NIS 272, 316, 753 and 483 million, respectively, in conformity with a decision by the Bank's Board of Directors.
(6) In the first nine months of 2022, 621,453 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.
In the first nine months of 2021, 1,371,708 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.
In 2021, 1,432,671 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.
- On November 28, 2022, after the balance sheet date, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 353.4 million, or 30% of earnings in the third quarter of 2022. According to accounting rules, this amount will be deducted from retained earnings in the fourth quarter of 2022.

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

Condensed statements of cash flows

Reported amounts (NIS in millions)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	**2021**	**2022**	**2021**	**2021**
		(Unaudited)		**(Unaudited)**	**(Audited)**
Cash flows provided by current operations					
Net profit	1,216	871	3,477	2,583	3,290
Adjustments					
Share of the Bank in undistributed earnings of associated companies	(2)	(1)	(4)	10	10
Depreciation of buildings and equipment (including impairment)	95	92	268	266	339
Expenses with respect to credit losses	155	(36)	341	(263)	(278)
Gain from sale of securities available for sale and shares not held for trading	(17)	(41)	(9)	(78)	(111)
Realized and unrealized loss (gain) from adjustment to fair value of securities held for trading	(47)	10	(78)	21	26
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	12	28	35	(83)	(97)
Gain from sale of buildings and equipment	-	(17)	(240)	(17)	(18)
Impairment of securities held for sale and shares not held for trading	29	-	45	4	9
Expenses arising from share-based payment transactions	19	17	26	17	41
Deferred taxes, net	1	(6)	(465)	50	78
Change in employees' provisions and liabilities	(411)	30	(25)	63	1,111
Adjustments with respect to exchange rate differentials	(39)	(31)	(458)	26	52
Accrual differences included with investment and financing operations	(30)	(254)	380	133	324
Net change in current assets				-	
Assets with respect to derivatives	(1,608)	(347)	(5,029)	1,739	858
Securities held for trading	489	754	278	664	815
Other assets, net	(395)	15	(382)	196	259
Net change in current liabilities					
Liabilities with respect to derivatives	1,285	214	3,796	(2,880)	(1,753)
Other liabilities	(2,231)	(2,954)	(1,499)	(1,745)	(824)
Net cash provided by current operations	**(1,479)**	**(1,656)**	**457**	**706**	**4,131**

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

Condensed statements of cash flows – Continued

Reported amounts (NIS in millions)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
Cash flows provided by investment activities					
Net change in deposits with banks	(663)	(547)	(1,116)	(162)	499
Net change in loans to the public	(7,046)	(5,108)	(32,922)	(12,743)	(24,087)
Net change in loans to Governments	125	99	138	134	136
Net change in securities loaned or acquired in resale agreements	1,210	(196)	418	(183)	(1,132)
Acquisition of bonds held to maturity	(229)	(46)	(1,186)	(364)	(447)
Proceeds from redemption of securities held to maturity	8	355	135	990	1,247
Acquisition of securities available for sale	(924)	(1,384)	(11,177)	(9,808)	(12,078)
Proceeds from sale of securities available for sale	8,335	2,426	12,475	7,397	8,316
Proceeds from redemption of securities available for sale	112	733	293	3,618	4,320
Proceeds from sale of loan portfolios	1,940	-	1,943	-	234
Purchase of loan portfolios – public	(386)	(362)	(1,425)	(1,216)	(1,778)
Acquisition of buildings and equipment	(84)	(91)	(205)	(202)	(336)
Proceeds from sale of buildings and equipment	(1)	26	501	29	35
Purchase of shares in associated companies	(1)	(9)	(40)	(9)	(49)
Proceeds from realized investment in associated companies	6	-	7	1	1
Net cash provided by investment activities	**2,402**	**(4,104)**	**(32,161)**	**(12,518)**	**(25,119)**
Cash flows provided by financing operations					
Net change in deposits from the public	17,455	9,530	37,415	19,697	23,700
Net change in deposits from banks	(790)	856	733	3,022	3,213
Net change in deposits from Government	(9)	59	(33)	32	11
Issuance of bonds and subordinated notes	-	1	2,402	1,956	7,304
Redemption of bonds and subordinated notes	(3,699)	(2,738)	(9,470)	(2,738)	(2,741)
Dividends paid to shareholders	(316)	(483)	(588)	(483)	(1,236)
Dividends paid to external shareholders in subsidiaries	-	(15)	-	(15)	(15)
Net cash provided by financing operations	**12,641**	**7,210**	**30,459**	**21,471**	**30,236**
Increase (decrease) in cash	13,564	1,450	(1,245)	9,659	9,248
Cash balance at beginning of the period	80,271	93,617	94,661	85,465	85,465
Effect of changes in exchange rate on cash balances	39	31	458	(26)	(52)
Cash balance at end of the period	**93,874**	**95,098**	**93,874**	**95,098**	**94,661**
Interest and taxes paid / received					
Interest received	3,800	2,864	8,511	8,089	10,938
Interest paid	1,090	690	3,747	1,867	2,393
Dividends received	9	6	19	14	20
Income taxes received	106	-	140	42	-
Income taxes paid	370	546	1,312	1,201	1,471
Appendix A – Non-cash Transactions					
Acquisition of buildings and equipment	(1)	1	-	2	13
Sales of buildings and equipment	-	2	-	2	2

Note 1 – Reporting Principles and Accounting Policies

A. Overview

On November 28, 2022, the Bank's Board of Directors authorized publication of these condensed financial statements as of September 30, 2022.

The condensed financial statements are prepared in accordance with generally accepted accounting policies in Israel (Israeli GAAP) for financial reporting of interim periods and in accordance with directives and guidance from the Supervisor of Banks, and does not include all of the information required in annual financial statements. These condensed financial statements should be read in conjunction with the audited financial statements as of December 31, 2021.

As noted in the annual report, for most topics, the Supervisor of Banks' directives are based on generally acceptable accounting practices of US banks. For other, less material topics, these directives are based on International Financial Reporting Standards (IFRS) and on generally accepted accounting principles in Israel (Israeli GAAP).

When International Financial Reporting Standards (IFRS) allow multiple alternatives, or do not specifically refer to a certain situation, these directives prescribe specific implementation guidelines, mostly based on generally acceptable accounting practices by banks in the United States.
In accordance with directives of the Supervisor of Banks, the condensed financial statements are issued on a consolidated basis only.
The Group accounting policies in these condensed consolidated quarterly financial statements are consistent with the policies applied in the annual financial statements, except as noted below.

B. Use of estimates

In preparing the condensed consolidated interim financial statements, Bank management is required to use judgment, assessments, estimates and assumptions which impact implementation policies and amounts of assets and liabilities, revenues and expenses. Note that actual results may differ from these estimates.
Management judgment and estimates in applying Group accounting policy and the major assumptions used in assessments involving uncertainty are consistent with those applied to preparing the annual financial statements. The underlying estimates and assumptions are regularly reviewed. Changes to accounting estimates are recognized in the period in which these estimates were revised and in any affected future period.

C. Re-classification

Due to initial application of generally acceptable accounting practices by US banks – provisions for credit losses and other directives, as set forth in section D.1. below, data in some Notes to the financial statements were re-classified to align with the new definitions, headers and presentation in the current reporting period.

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

As from reporting periods starting on January 1, 2022 (unless otherwise noted), the Bank applies the following new accounting standards and directives:

1. Adoption of updates to generally acceptable accounting practices by US banks – Financial instruments – Credit losses (ASU 2016 13) and other directives included in the Q&A file issued by the Supervisor of Banks on this matter, circular no. 2634-06 regarding implementation of generally acceptable accounting practices by US banks with regard to expected credit losses – revised public reporting regulations, circular no. 2635-06 regarding supervisory capital – effect of implementation of accounting practices with regard to expected credit losses, circular no. 2650-06 regarding expected credit losses from financial instruments – revised Proper Banking Conduct Directives, circular no. 2651-06 regarding implementation of accounting practices with regard to expected credit losses from residential mortgages – revised public reporting regulations.
2. Discontinued use of LIBOR and transition to using alternative reference interest rates.
3. Update to Public Reporting Directive with regard to presentation of return on equity and quarterly revenue and expense rates on annualized basis.
4. Update to Proper Conduct of Banking Business Directive 203 "Capital measurement and adequacy" – Standard approach credit risk
5 The standard approach for calculation of counter-party credit risk exposure (SA-CCR)
6. Update to Proper Conduct of Banking Business Directive 203 – Calculation of standard capital allocation with respect to CVA.

Note 1 – Reporting Principles and Accounting Policies – continued

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

1. Adoption of updates to US GAAP with regard to provision for credit losses and other directives (CECL)

On March 28, 2018, the Supervisor of Banks issued a letter with regard to "Adoption of updates to US GAAP with regard to provision for credit losses and other directives". The letter requires implementation of generally acceptable accounting practices by US banks on these matters: provisions for credit losses, financial instruments, including derivative instruments and hedging operations, as well as leases. Initial implementation is to be applied in conformity with transition provisions stipulated in US GAAP.

The letter adopts US GAAP with regard to expected credit losses, published in standards update ASU 2016-13. The new rules are designed to improve the quality of reporting of the banking corporation's financial standing, through earlier recognition and provisions for credit losses, in such way as to bolster the anti-cyclical element of behavior and provision for credit losses, supporting a faster response by banks to deterioration in borrower creditworthiness, and to reinforce the connection between credit risk management and how such risk is reflected on the financial statements, based on existing methods and processes.

Highlights of the changes in accounting treatment on financial statements of banking corporations, following implementation of these rules, include the following: Calculation of the provision for credit losses based on expected loss over the term of the credit, in lieu of estimating the loss incurred and yet to be identified; in estimating the provision for credit losses, significant use shall be made of forward-looking information to reflect reasonable, supported forecasts with regard to future economic events; expansion of disclosure of the impact of the lending date on the credit quality of the credit portfolio; change in recognition of impairment of bonds in the available-for-sale portfolio. The new rules for calculation of the provision for credit losses apply to loans (including residential mortgages), to bonds held to maturity and to certain off-balance sheet credit exposures.

On December 1, 2020, the Supervisor of Banks issued a circular regarding "Supervisory capital – Effect of implementation of accounting principles with respect to expected credit losses". This circular stipulates transitional provisions to be applicable to the effect of initial adoption of the new rules regarding expected credit losses, so as to reduce unexpected effects of application of these rules on supervisory capital, in conformity with guidance from the Basel Committee on Bank Supervision and supervisory authorities for banks in the USA and in other countries.

On January 31, 2021, the Supervisor of Banks issued a Q&A file regarding implementation of the new rules on expected credit losses. These Q&A include, inter alia, clarifications with regard to classification and return of debt under restructuring to the accrual track.

Moreover, on February 2, 2021, the Supervisor of Banks issued a circular regarding "Expected credit losses from financial instruments" which, inter alia, rescinded the requirement to calculate a group-based provision at a minimum of 0.35% with respect to residential mortgages, and rescinded the requirement to calculate the minimum provision by extent of arrears. Moreover, an amendment was made to Proper Conduct of Banking Business Directive 202 regarding "Supervisory capital", whereby banking corporations are required to deduct from Tier I capital amounts with respect to residential mortgages classified over time as non-accruing loans, similar to the calculation stipulated in Appendix H to Proper Conduct of Banking Business Directive 202.

Due to implementation of the standard, the Bank adapted certain processes to the new rules regarding classification and review of problematic credit, classification of credit as not accruing interest revenues, rules for write-off and methodology for measurement of the provision. Moreover, disclosure requirements were adapted to requirements of US accounting standards, as adopted by the Supervisor of Banks in the public reporting directives, as described below.

The Bank applies the new directives with regard to provisions for credit losses as from January 1, 2022 and charged the cumulative effect to retained earnings upon initial application. The Bank also adopted upon the initial implementation date, certain relief, as allowed by the transition provisions, including recognizing the effect of initial application with regard to the effect on Tier I equity ratio over a 3-year period, in conformity with the specified transition provisions.

Note 1 – Reporting Principles and Accounting Policies – continued

Update to accounting policy due to initial application of new accounting practices with regard to expected credit losses

Identification and classification of non-accruing debt (in lieu of impaired debt)

The Bank has specified procedures for identification of problematic credit and for classification of debt so as to distinguish between problematic debt, including non-accruing debt, and debt in good standing. According to these procedures, the Bank classifies all its problematic debt and off-balance sheet credit items under these classifications: special supervision, inferior or non-accruing. Debt classified as non-accruing debt, where based on current information and events it is expected that the Bank would not be able to collect all amounts due in conformity with contractual terms and conditions of the debt agreement.

For classification and treatment of problematic credit, the Bank distinguishes between the following:

A. Commercial credit with respect to debt with contractual balance over NIS 1 million

Decisions with regard to debt classification and the required provision are made based, inter alia, on the past-due status of the debt, assessment of the borrower's financial standing and repayment capacity, assessment of the primary debt repayment source, existence of collateral and its status, the financial standing of guarantors, if any and their commitment to support the debt and the borrower's capacity to obtain financing from third parties.

In any case, such commercial debt is classified as non-accruing debt when its principal or interest is in arrears for 90 days or longer, unless the debt is well secured and is in collection proceedings, or if the debt has undergone restructuring of problematic debt.

As from the classification date as non-accruing debt, debt is treated as debt not accruing interest income (such debt is known as "non-accruing debt").

For more information about accounting write-off rules with respect to such debts, see section "Accounting write-off" later in this section.

B. Credit to individuals, residential mortgages and commercial credit with respect to debt with contractual balance below NIS 1 million

Decision on debt classification is based on the state of arrears of such debt. To this end, the Bank monitors the arrears days determined with reference to contractual repayment terms thereof.

Such debt, in arrears 90 days or longer, is classified as inferior debt when the Bank does not discontinue accrual of interest income, except for residential mortgages which are classified as debt not accruing interest income when principal or interest with respect there to is in arrears 90 days or longer.

For more information about accounting write-off rules with respect to such debts, see section "Accounting write-off" later in this section.

Policy on debt re-structuring and treatment of problematic debt under re-structuring

In order to determine whether a debt re-structuring conducted by the Bank constitutes re-structuring of problematic debt, the Bank conducts a qualitative review of all terms and conditions of the re-structuring and the circumstances thereof, in order to determine whether:

(1) the creditor is in financial duress; and (2) the Bank made a concession to the debtor in conjunction with the arrangement.

In order to determine whether the creditor is in financial duress, the Bank considers if there are any indications that the creditor is in duress upon the re-structuring date, or existence of a reasonable likelihood that the creditor would be in financial duress if not for the re-structuring.

Note 1 – Reporting Principles and Accounting Policies – continued

The Bank also concludes that a concession was made to the debtor in conjunction with the arrangement, even if the contractual interest rate was increased in the arrangement – if one or more of the following exists:

- Due to re-structuring, the Bank is not expected to collect the entire debt amount (including interest accrued in conformity with contractual terms and conditions);
- The current fair value of collateral, for debts contingent on collateral, does not cover the contractual debt balance and indicates that the entire debt amount may not be collectable;

The Bank does not classify debt as restructured problematic debt, if the re-structurung results in insignificant delay in repayment considering the payment frequency, the contractual term to maturity and the original term to maturity of the debt. For this matter, if multiple arrangements took place involving changes to debt terms, the Bank accounts for the accumulated effect of previous structurings in order to determine whether the deferral of payments is insignificant.

In general, re-structuring which results in delayed payments by 90 days or longer compared to the contract is considered a re-structuring that results in significant delay in repayment.

Re-instatemen of non-accruing debt to accruing debt status

Typically, non-accruing debt is re-instated to accruing debt status in either of these two cases:

A. It includes no principal or interest components which are past due, and the Bank anticipates payment of the outstanding principal and interest in full according to contractual terms (includes amounts subject to accounting write-off or provision).
B. When the debt has become well-secured and is in collection proceedings.

Moreover, for debt which has undergone formal re-structuring of problematic debt, which was classified as non-accruing debt upon the date of change in terms and conditions, the Bank may reinstate the debt in accruing status, provided that a current, documented credit analysis has been prepared which supports re-instatement of accruing status based on the debtor's financial standing and the repayment likelihood base on the current terms and conditions. Such assessment is based on the debtor's continuous historical repayment performance for payments in cash and cash equivalents over as reasonable period of six months or longer.

Furthermore, with regard to debt which has undergond formal re-structuring of problematic debt, which was classified as accruing debt prior to such re-structuring, the Bank may continue to accrue interest, proided that after such re-structuring the colletion of principal and interest in conformity with the revised terms and conditions is reasonably assured, based on a current, well-based credit analysis, provided that the debtor has a history of continuous repayment performance for a reasonable period priror to such changes and that re-structuring has improved the likelihood of the loan being collected in conformity with a reasonable repayment schedule.

As from January 1, 2022, these provisions with regard to treatment of problematic debt under re-structuring apply to residential mortgages.

According to directives included in the Q&A for application of new rules with regard to expected credit losses, the Bank has elected to apply the new rules with regard to identification of re-structuring of problematic debts, and to measure the provision for credit losses using the method required pursuant to these rules for debts under re-structuring of problematic debt, with respect to changes made to residential mortgages prior to January 1, 2022.

Provision for credit losses – measurement

As noted above, as from January 1, 2022, the Bank applies generally acceptable accounting practices by US banks with regard to measurement of credit losses from financial instruments, as set forth in topic 326 of the codification (ASC 326) "Financial instruments – credit losses".

As part of the application of this standard, the Bank has put in place procedures for classification of credit and for measurement of provision for credit losses, in order to maintain an appropriate provision to cover expected credit losses with regard to the Bank's loan portfolio. Further, the Bank has put in place procedures to be followed for an appropriate provision to cover expected credit losses with regard to bonds held to maturity and the portfolio of bonds available for sale and certain off-balance sheet credit exposures.

The estimated provision for expected credit losses is calculated over the contractual term of the financial asset, taking into account estimated early repayment.

Note 1 – Reporting Principles and Accounting Policies – continued

In developing the estimated expected credit losses, the Bank accounted for the effects of past events, current terms and conditions and reasonable forecasts which can be founded about collectability of the financial assets.

In general, calculation of the provision for expected credit losses is estimated on group basis when assets have similar risk attributes. These attributes include the following: (1) Credit score or rating, either internal or external; (2) risk rating or risk classification; (3) type of financial asset; (4) type of collateral; (5) size; (6) borrower's operating sector.

For each group of financial assets with similar risk attributes, the Bank calculates the provision for expected credit losses using one of the methods for measurement of such provision as allowed by the standard, which the Bank expects should result in the best estimate of provisions for credit losses.

In order to estimate expected credit losses over the contractual terms of the assets, the Bank relies on historical information, reviewing the need to adjust such historical information to reflect the extent to which current conditions and reasonable forecasts which can be founded differ from those in the period when the historical information was assessed.

When the reasonable period that may be founded, as determined by the Bank, is shorter than the duration of the financial asset, the Bank resumes use of historical information not adjusted for current economic conditions nor for expectations of future economic conditions, such as: change in unemployment rate, asset values, commodity values, arrears and so forth. The return to information about historical losses may be in one of the following methods: (1) Immediate return; (2) return on straight line basis; (3) use of another logical and methodical basis.

Provision for credit losses – consumer loans (non-residential mortgages)

For the consumer loan portfolio, which includes loans to individuals, other than residential mortgages, the Bank measures the provision for expected credit losses using a model which calculates the probability of default (PD) and the loss given default (LGD) ("the PD/LGD Method"), by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, type of collateral and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the consumer loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Provision for credit losses – residential mortgages

For the residential mortgage portfolio, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, term to maturity, loan age and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the residential mortgages portfolio and because the Bank does not generate forecasts for periods longer than one year, return to historical default rates is gradual over half of the average duration in the residential mortgage portfolio – 4 years.

Provision for credit losses – retail business loans

For the retail business loan portfolio, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, borrower's operating sector, type of collateral and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the retail business loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Provision for credit losses – business loans

For the business loan portfolio, the Bank measures the provision for expected credit losses by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, borrower's operating sector, type of collateral and so forth. The provision is determined by a method which calculates the average historical loss rates for each segment (WARM method).

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the business loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Note 1 – Reporting Principles and Accounting Policies – continued

Provision for credit losses – large-scale loans with unique risk attributes

For loans extended for project financing and loans extended for financing of means of control (where loans are in excess of 0.5% of Bank equity), the Bank measures the provision for expected credit losses based on the PD/LGD method, with the calculation based on rating information from global rating agencies (Moody's / S&P).

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. Similar to the business credit segment, return to historical default rates is immediate after one year.

Provision for credit losses – loans to governments and banks

For loans to governments and banks, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal and external rating, type of financial asset and so forth.

The Bank has also set criteria and factors to be taken into account in order to determine that for some exposures to governments, the expected credit losses are near zero.

Provision for credit losses – off-balance sheet exposures

Off-balance sheet exposures include credit exposures with respect to commitment to extend credit, letters of credit, financial guarantees not treated as insurance and other similar instruments.

The provision for credit losses with respect to off-balance sheet exposures is assessed in conformity with rules set forth in Topic 326 of the codification, based on the provision rates determined for on-balance sheet credit (as described above), taking into account the expected credit realization rate upon default of the off-balance sheet exposure risk, in conformity with Basel coefficients.

The Bank does not calculate an estimated provision for expected credit losses with respect to off-balance sheet commitment to extend credit which may be un-conditionally terminated by the Bank.

Provision for credit losses – securities in portfolio held to maturity

For securities in the portfolio held to maturity, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as issuer type, duration, interest rate, payment frequency and so forth.

The Bank does not measure expected credit losses with respect to certain government bonds, because the information about historical credit losses, adjusted for current conditions and for reasonable forecasts that may be founded, results in expectation that non-payment of the amortized cost basis is zero.

Provision for credit losses – bonds available for sale

The Bank estimates the expected credit losses with respect to bonds available for sale upon each reporting date, when the fair value is lower than the amortized cost.

Whenever the fair value is lower than the amortized cost, the Bank reviews whether the impairment of fair value is due to credit losses or to other factors. Impairment resulting from credit losses is recognized by way of a provision for credit losses, and impairment not recognized by way of a provision for credit losses is recognized under Other Comprehensive Income, net of tax.

In conformity with provisions of Topic 326 of the codification, the Bank calculates the provision for expected credit losses for securities available for sale individually, using the discounted cash flow method, used by the Bank to compare the present value of expected future cash flows, determined based on past events, current conditions and reasonable forecasts that can be founded (such as: sector, geographic, economic and political factors relevant for collectability of the bond), to the amortized cost basis of the securities. Such provision is recognized against an expense with respect to credit loss, to reflect the credit loss component of impairment of the fair value to below the amortized cost. The provision for credit losses with respect to bonds available for sale is capped and may not exceed the difference between the amortized cost and the (lower) fair value, known as "fair value floor".

If the fair value of the securities increases over time, any provision for credit losses which has not been written off is reversed by reducing the expense with respect to credit losses.

Note 1 – Reporting Principles and Accounting Policies – continued

Provision for credit losses – net lease investments

For the balance of net lease investments recognized by a lessor in conformity with Topic 842 of the codification regarding leases. The impact of application of this standard is insignificant.

Provision for credit losses – loans evaluated on individual basis

For commercial loans with contractual balance over NIS 1 million, classified as non-accruing, for which specific issues have been identified unlike attributes of other debts, the Bank applies the discounted cash flow method, calculated for each and every debt to determine the provision for credit losses on individual basis.

Reviews of overall appropriateness of the provision

Further, the Bank reviews the overall appropriateness of the provision for credit losses. Such assessment of appropriateness is based on Management discretion, taking into account the inherent risk in the loan portfolio and weaknesses and restrictions of assessment methods applied by the Bank to determine the provision.

Accounting write-off

The Bank makes accounting write-offs of any debt, or part thereof, considered to be uncollectible and of low value, so that maintaining it as an asset is not justified, or any debt which is subject to long-term collection efforts by the Bank (typically defined as terms in excess of two years).

For debt secured by collateral, the Bank immediately conducts an accounting write-off against the balance of provision for credit losses, for the portion of recorded debt balance in excess of fair value of the collateral.

For commercial loans with respect to debt with contractual balance (without deduction of any write-offs not subject to legal waiver, un-recognized interest, provisions for credit losses and collateral) lower than NIS 1 million, and loans to individuals, other than residential mortgages, the Bank conducts an accounting write-off when such debt is in arrears 150 days or longer. Note, in this regard, that for debt secured by collateral other than a residential apartment, and seizure of the collateral has started and is certain, the Bank only conducts an accounting write-off of the excess recorded debt balance over the collateral value (net of selling costs).

For residential mortgages secured by a residential property, the Bank conducts a current assessment of collateral value, no later than the date when the debt is in arrears 180 days or longer, and conducts an accounting write-off of the excess recorded debt balance over the collateral value (net of selling costs).

Note that accounting write-offs do not involve a legal waiver, and only reduce the reported debt balance for accounting purposes, by creating a new cost basis for the debt on Bank books.

Disclosure requirements

The Bank applies disclosure requirements for creditworthiness of debt and for provision for credit losses, as stipulated in codification section 310-10 "Debts" and in conformity with disclosure requirements in codification section 326-20 "Financial instruments – credit losses – instruments measured at amortized cost", on consolidated basis.

See also Note 6 regarding "Credit risk, loans to the public and provision for credit losses" and Note 13 regarding "Additional information about credit risk, loans to the public and provision for credit losses" to these sample interim financial statements.

The Bank has adapted these disclosures to the new disclosure format and to disclosure with regard to non-accruing debts, in lieu of impaired debts, with re-classification of comparison figures, to adapt them to the new disclosure format, except for disclosure requirements with respect to credit quality by year when credit was extended, which does not require comparison figures for periods prior to initial application.

Note 1 – Reporting Principles and Accounting Policies – continued

Below is a summary of the effect of transition to application of the new rules, as of January 1, 2022:

	December 31, 2021	Effect of CECL implementation	January 1, 2022
			NIS in millions
	(Audited)		(Unaudited)
1. Provision for credit losses			
Total provision for credit losses	2,103	378	2,481
Of which: Provision for credit losses – commercial portfolio	1,061	281	1,342
Of which: Provision for credit losses – residential mortgages	804	(40)	764
Of which: Provision for credit losses – private individuals, other	238	137	375
2. Shareholders' equity			
Retained earnings	17,500	(1)(355)	17,145
3. Capital adequacy and leverage(2)			
Tier I equity ratio	10.04	(0.08)	9.96
Total capital ratio	13.66	(0.06)	13.60
Leverage ratio	5.18	(0.03)	5.15

(1) The decrease in retained earnings with respect to increase in provision for credit losses, including provision with respect to off-balance sheet balances recognized under Other Liabilities and non-recognized interest revenues, and net of tax effect.

(2) The effect on the capital adequacy ratio includes the effect of net change in loans to the public, the deduction from capital with respect to residential mortgages in default for an extended period, and attribution of initial application over a 3-year period, in conformity with the transition provisions.

2. Discontinued use of LIBOR and transition to using alternative reference interest rates

In conformity with the interest rate benchmark reform, inter-bank interest rates (IBOR rates) were discontinued and replaced by alternative interest rate benchmarks that may be observed or that are based on actual transactions, thus less sensitive to manipulation. Accordingly, a decision was made to gradually discontinue the use of LIBOR.

On October 3, 2021, the Supervisor of Banks issued a circular regarding Proper Conduct of Banking Business Directive 250A "Transition from LIBOR Interest Rates", so as to help in completing preparations of the banking system in Israel for this transition.

As from January 1, 2022, the Bank discontinued use of LIBOR for transactions conducted as from said date. For transactions in USD dating from prior to the transition date, the Bank continues to use LIBOR through June 2023. For transactions in other currencies dating from prior to the transition date, the reference interest rates have been replaced. This change did not materially impact the financial statements.

3. Update to Public Reporting Directive with regard to presentation of return on equity and quarterly revenue and expense rates on annualized basis

In conformity with the update, the Bank's financial statements as of September 30, 2022 include revision of comparative figures with respect to return calculations, including calculation of return on equity, for interim periods.

4. Update to Proper Conduct of Banking Business Directive 203 "Capital measurement and adequacy" – Standard approach credit risk

On May 22, 2022 the Supervisor of Banks issued a circular regarding an update to Proper Conduct of Banking Business Directive 203 "Capital measurement and adequacy" – Standard approach credit risk, whereby loans designated for purchase of land for development or construction with an LTV over 80% of the value of the purchased property shall carry an increased risk weighting of 150%. For more information see Note 9.I. This change had no material impact on the financial statements.

Note 1 – Reporting Principles and Accounting Policies – continued

5 The standard approach for calculation of counter-party credit risk exposure (SA-CCR)

In March 2014, the Basel Committee on Bank Supervision issued updates to the Basel III directives, including a new directive with regard to "Standard approach for calculation of counter-party credit risk exposure (SA-CCR)".

On December 1, 2021, the Supervisor of Banks issued a circular revising Proper Conduct of Banking Business Directives which include, inter alia, addition of Proper Conduct of Banking Business Directive 203A regarding "Handling counter-party credit risk in conformity with SA-CCR.

For more information see Note 9.H.

The Bank applies the Directive as from July 2022. Application of this directive has no material impact on the Bank's financial statements.

6. Update to Proper Conduct of Banking Business Directive 203 – Calculation of standard capital allocation with respect to CVA.

On August 15, 2022, the Supervisor of Banks issued a circular stipulating that the risk weighting attributed to a counter-party when calculating the capital allocation with respect to CVA, for securities companies, would be at 1%, in conformity with the risk weighting attributed to Israeli banks. This update is effective immediately. Application of this circular had no material impact on the Bank's financial statements.

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

Amendment	Publication requirements	Start date and transition provisions	Implications
Update to standard ASU 2022-01 regarding improvements to application of fair value hedge accounting using the layer method	On March 28, 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-01 regarding improvements to application of fair value hedge accounting using the layer method in the portfolio, designed to best align hedge accounting with the company's risk management policy (hereinafter: "the Update"). Highlights of amendments in the Update include, *inter alia*, expansion of the final layer method so as to allow for hedging of multiple layers, clarifications with regard to accounting treatment and additional disclosure requirements.	In conformity with directives of the Supervisor of Banks	The Bank is reviewing the effect of the new provisions on its financial statements
Update to standard ASU 2022-02 regarding re-structuring of problematic debts and disclosure requirements by year when credit was extended	On March 31, 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-02 regarding re-structuring of problematic debts and disclosure requirements by year when credit was extended with regard to provisions for credit losses (hereinafter: "the Update"). The Update rescinds the provisions regarding re-structuring of problematic debts by lenders, improving the disclosure requirements with respect to borrowers facing economic challenges. The Update also adds a disclosure requirement regarding gross write-offs by year when credit was extended.	In conformity with directives of the Supervisor of Banks	The Bank is reviewing the effect of the new provisions on its financial statements
Extension of transitional provision regarding implementation of provisions of Section 830 of the Codification "Foreign currency "	The transitional provision instructs banking corporations not to include exchange rate differentials with respect to available-for-sale bonds as part of fair value adjustment of such bonds, but rather to continue treating these as stipulated in the Public Reporting Directives prior to adoption of Section 830 of the Codification "Foreign currency", through December 31, 2022.	January 1, 2023	No material impact is expected

Note 2 – Interest revenues and expenses

Reported amounts (NIS in millions)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	**2021**	**2022**	**2021**	**2021**
		(Unaudited)		**(Unaudited)**	**(Audited)**
a. Interest revenues[(1)]					
From loans to the public	3,810	2,714	10,624	7,847	10,242
From loans to Governments	3	2	9	8	11
From deposits with the Bank of Israel and from cash	308	22	428	59	79
From deposits with banks	3	3	10	6	7
From securities loaned or purchased in resale agreements[(2)]	4	-	5	-	-
From bonds	85	59	242	173	218
Total interest revenues	**4,213**	**2,800**	**11,318**	**8,093**	**10,557**
b. Interest expenses					
On deposits from the public	1,066	461	2,527	1,387	1,716
On deposits from governments	1	1	1	1	4
On deposits from banks	9	1	11	3	4
On bonds and subordinated notes	434	334	1,471	972	1,142
On other liabilities	12	2	20	3	6
Total interest expenses	**1,522**	**799**	**4,030**	**2,366**	**2,872**
Total interest revenues, net	**2,691**	**2,001**	**7,288**	**5,727**	**7,685**
c. Details of net effect of hedging financial derivatives on interest revenues[(3)]	38	(9)	121	23	83
d. Details of interest revenues on accrual basis from bonds					
Held to maturity	13	13	37	34	41
Available for sale	53	44	183	131	167
Held for trading	19	2	22	8	10
Total included under interest revenues	**85**	**59**	**242**	**173**	**218**

(1) Includes the effective element in the hedging ratios.
(2) Balance lower than NIS 0.5 million.
(3) Details of effect of hedging derivative instruments: on interest revenues, net.

Note 3 – Non-interest financing revenues

Reported amounts (NIS in millions)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
		(Unaudited)		(Unaudited)	(Audited)
a. Non-interest financing revenues (expenses) with respect to non-trading operations					
1. From activity in derivative instruments					
Net revenues (expenses) with respect to ALM derivative instruments[1]	535	(244)	3,474	90	(890)
Total from activity in derivative instruments	**535**	**(244)**	**3,474**	**90**	**(890)**
2. From investment in bonds					
Gains on sale of bonds available for sale	(15)	9	(28)	46	60
Total from investment in bonds	**(15)**	**9**	**(28)**	**46**	**60**
3. Exchange rate differences, net	**(320)**	**315**	**(3,294)**	**47**	**1,124**
4. Gains from investment in shares					
Gains from sale of shares not held for trading	32	32	37	32	51
Provision for impairment of shares not held for trading	(29)	-	(45)	(4)	(9)
Dividends from shares not held for trading	9	6	19	14	20
Unrealized gains (losses)[3]	(21)	(34)	(54)	69	77
Total from investment in shares	**(9)**	**4**	**(43)**	**111**	**139**
5. Net gains with respect to loans sold	**8**	**-**	**8**	**-**	**-**
Total non-interest financing revenues with respect to non-trading purposes	**199**	**84**	**117**	**294**	**433**
b. Non-interest financing revenues (expenses) with respect to trading operations[2]					
Net revenues (expenses) with respect to other derivative instruments	17	(11)	361	45	(6)
Realized gains (losses) from adjustment to fair value of bonds held for trading, net	49	(9)	71	(20)	(30)
Unrealized gains from adjustment to fair value of bonds held for trading, net	(2)	(1)	7	(1)	4
Total from trading activity[4]	**64**	**(21)**	**439**	**24**	**(32)**
Details of non-interest financing revenues (expenses) with respect to trading operations, by risk exposure					
Interest exposure	68	(6)	89	13	23
Foreign currency exposure	(4)	(15)	350	11	(55)
Exposure to shares	-	-	-	-	-
Exposure to commodities and others	-	-	-	-	-
Total	**64**	**(21)**	**439**	**24**	**(32)**

(1) Derivative instruments which constitute part of the Bank's asset and liability management system, which were not designated as hedges.
(2) Includes exchange rate differentials resulting from trading operations.
(3) Including gains / losses from measurement at fair value of shares for which fair value is available, and upward / downward adjustment of shares for which no fair value is available.
(4) For interest revenues from investments in bonds held for trading, see Note 2.D.

Note 4 – Cumulative other comprehensive income (loss)

Reported amounts (NIS in millions)

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

	Other comprehensive income (loss), before attribution to non-controlling interests						
	Adjustments for presentation of available-for-sale bonds at fair value	Translation adjustments[1]	Net gains (losses) from cash flow hedges	Adjustments with respect to employees' benefits[2]	Total	Other comprehensive income attributed to non-controlling interests	Other comprehensive income (loss) attributable to shareholders of the Bank
	For the three months ended September 30, 2022						
	(Unaudited)						
Balance as of June 30, 2022	(358)	(2)	(8)	(144)	(512)	(18)	(494)
Net change in the period	(141)	-	6	79	(56)	2	(58)
Balance as of September 30, 2022	**(499)**	**(2)**	**(2)**	**(65)**	**(568)**	**(16)**	**(552)**
	For the three months ended September 30, 2021						
	(Unaudited)						
Balance as of June 30, 2021	58	(2)	(10)	(372)	(326)	(26)	(300)
Net change in the period	6	-	(3)	5	8	-	8
Balance as of September 30, 2021	**64**	**(2)**	**(13)**	**(367)**	**(318)**	**(26)**	**(292)**
	For the nine months ended September 30, 2022						
	(Unaudited)						
Balance as of December 31, 2021	98	(2)	(12)	(412)	(328)	(25)	(303)
Net change in the period	(597)	-	10	347	(240)	9	(249)
Balance as of September 30, 2022	**(499)**	**(2)**	**(2)**	**(65)**	**(568)**	**(16)**	**(552)**
	For the nine months ended September 30, 2021						
	(Unaudited)						
Balance as of December 31, 2020	82	(1)	10	(399)	(308)	(32)	(276)
Net change in the period	(18)	(1)	(23)	32	(10)	6	(16)
Balance as of September 30, 2021	**64**	**(2)**	**(13)**	**(367)**	**(318)**	**(26)**	**(292)**
	For the year ended December 31, 2021						
	(Audited)						
Balance as of December 31, 2020	82	(1)	10	(399)	(308)	(32)	(276)
Net change in the period	16	(1)	(22)	(13)	(20)	7	(27)
Balance as of December 31, 2021	**98**	**(2)**	**(12)**	**(412)**	**(328)**	**(25)**	**(303)**

(1) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.
(2) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve for the streamlining program.

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

Reported amounts (NIS in millions)

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

	For the three months ended September 30					
	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
						(Unaudited)
Change in items of other comprehensive income (loss), before attribution to non-controlling interests:						
Adjustments for presentation of available-for-sale bonds at fair value						
Net unrealized gains (losses) from adjustments to fair value	(192)	42	(150)	18	(6)	12
Losses (gains) with respect to available-for-sale securities reclassified to the statement of profit and loss(1)	15	(6)	9	(9)	3	(6)
Net change in the period	**(177)**	**36**	**(141)**	**9**	**(3)**	**6**
Translation adjustments						
Adjustments from translation of financial statements(2)	-	-	-	-	-	-
Net change in the period	**-**	**-**	**-**	**-**	**-**	**-**
Cash flows hedges						
Net losses from cash flow hedges	8	(2)	6	(4)	1	(3)
Net (gains) losses with respect to cash flow hedges reclassified to the statement of profit and loss(3)	-	-	-	-	-	-
Net change in the period	**8**	**(2)**	**6**	**(4)**	**1**	**(3)**
Employees' benefits						
Net actuarial gain (loss) for the period(4)	108	(40)	68	(7)	2	(5)
Net losses reclassified to the statement of profit and loss	16	(5)	11	15	(5)	10
Net change in the period	**124**	**(45)**	**79**	**8**	**(3)**	**5**
Total net change in the period	**(45)**	**(11)**	**(56)**	**13**	**(5)**	**8**
Total net change in the period attributable to non-controlling interests	**3**	**(1)**	**2**	**-**	**-**	**-**
Total net change in the period attributable to shareholders of the Bank	**(48)**	**(10)**	**(58)**	**13**	**(5)**	**8**

(1) Pre-tax amount included in the statement of profit and loss under "Non-interest financing revenues". For details, see Note 3.A.2.
(2) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.
(3) Pre-tax amount included in the statement of profit and loss under "Non-interest financing revenues". For details, see Note 3.A.1.
(4) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve for the streamlining program.

Note 4 – Cumulative other comprehensive income (loss) – continued
Reported amounts (NIS in millions)

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

	For the nine months ended September 30						For the year ended December 31		
	2022			2021			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	(Unaudited)						(Audited)		
Change in items of other comprehensive income (loss), before attribution to non-controlling interests:									
Adjustments for presentation of available-for-sale bonds at fair value									
Net unrealized gains (losses) from adjustments to fair value	(900)	285	(615)	20	(8)	12	85	(30)	55
Losses (gains) with respect to available-for-sale securities reclassified to the statement of profit and loss[(1)]	28	(10)	18	(46)	16	(30)	(60)	21	(39)
Net change in the period	**(872)**	**275**	**(597)**	**(26)**	**8**	**(18)**	**25**	**(9)**	**16**
Translation adjustments									
Adjustments from translation of financial statements[(2)]	-	-	-	(1)	-	(1)	(1)	-	(1)
Net change in the period	**-**	**-**	**-**	**(1)**	**-**	**(1)**	**(1)**	**-**	**(1)**
Cash flows hedges									
Net losses from cash flow hedges	14	(4)	10	(35)	12	(23)	(33)	11	(22)
Net (gains) losses with respect to cash flow hedges reclassified to the statement of profit and loss[(3)]	-	-	-	-	-	-	-	-	-
Net change in the period	**14**	**(4)**	**10**	**(35)**	**12**	**(23)**	**(33)**	**11**	**(22)**
Employees' benefits									
Net actuarial gain (loss) for the period[(4)]	471	(158)	313	3	(1)	2	(82)	27	(55)[(4)]
Net losses reclassified to the statement of profit and loss	51	(17)	34	46	(16)	30	64	(22)	42
Net change in the period	**522**	**(175)**	**347**	**49**	**(17)**	**32**	**(18)**	**5**	**(13)**
Total net change in the period	**(336)**	**96**	**(240)**	**(13)**	**3**	**(10)**	**(27)**	**7**	**(20)**
Total net change in the period attributable to non-controlling interests	**14**	**(5)**	**9**	**9**	**(3)**	**6**	**11**	**(4)**	**7**
Total net change in the period attributable to shareholders of the Bank	**(350)**	**101**	**(249)**	**(22)**	**6**	**(16)**	**(38)**	**11**	**(27)**

(1) Pre-tax amount included in the statement of profit and loss under "Non-interest financing revenues". For details, see Note 3.A.2.
(2) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.
(3) Pre-tax amount included in the statement of profit and loss under "Non-interest financing revenues". For details, see Note 3.A.1.
(4) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve for the streamlining program.

Note 5 – Securities

September 30, 2022 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized		Fair value[1]
				Gains	Losses	
(1) Bonds held to maturity						
Of Government of Israel	2,981	2,981	-	1	(110)	2,872
Of financial institutions in Israel	445	445	-	-	(18)	427
Of others in Israel	113	113	-	-	(3)	110
Total bonds held to maturity	**3,539**	**3,539**	**-**	**1**	**(131)**	**3,409**
	Carrying amount	**Amortized cost**	**Balance of provision for credit losses**	**Cumulative other comprehensive income[4]**		**Fair value[1]**
				Gains	**Losses**	
(2) Bonds available for sale						
Of Government of Israel	4,744	5,330	-	25	(611)	4,744
Of foreign governments[3]	1,302	1,354	-	-	(52)	1,302
Of financial institutions in Israel	423	462	-	2	(41)	423
Of foreign financial institutions	261	275	-	-	(14)	261
Asset-backed (ABS)	54	59	-	-	(5)	54
Of others in Israel	791	818	-	24	(51)	791
Of others overseas	231	231	-	6	(6)	231
Total bonds available for sale	**7,806**	**8,529**	**-**	**57**	**(780)**	**7,806**
	Carrying amount	**Cost**	**Balance of provision for credit losses**	**Adjustments to fair value yet to be realized[5]**		**Fair value[1]**
				Gains	**Losses**	
(3) Investment in shares not held for trading	**656**	**586**	**-**	**80**	**(10)**	**656**
Of which: Shares for which no fair value is available[6]	413	397	-	16	-	413
Total securities not held for trading	**12,001**	**12,654**	**-**	**138**	**(921)**	**11,871**

Note 5 – Securities – continued

September 30, 2022 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized[5]		Fair value[1]
				Gains	Losses	
(4) Bonds held for trading						
Of Government of Israel	2,269	2,282	-	-	(13)	2,269
Of foreign governments	16	17	-	-	(1)	16
Of financial institutions in Israel	1	1	-	-	-	1
Of others in Israel	27	26	-	2	(1)	27
Of others overseas	45	45	-	1	(1)	45
Total bonds held for trading	**2,358**	**2,371**	**-**	**3**	**(16)**	**2,358**
Shares and other securities	20	17	-	4	(1)	20
Total securities held for trading	**2,378**	**2,387**	**-**	**7**	**(17)**	**2,378**
Total securities[2]	**14,379**	**15,042**	**-**	**145**	**(938)**	**14,249**

(5) Additional information about bonds

Recorded debt balance of	
Impaired bonds accruing interest revenues	-
Impaired bonds not accruing interest revenues	46
	46

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.
(2) Of which: Securities pledged to lenders, amounting to NIS 396 million and securities provided as collateral to lenders, amounting to NIS 158 million.
(3) US government bonds.
(4) Included in shareholders' equity in "adjustments on presentation of bonds available for sale at fair value".
(5) Charged to statement of profit and loss but not yet realized.
(6) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

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

Note 5 – Securities – continued

September 30, 2021 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized – Gains	Adjustments to fair value yet to be recognized – Losses	Fair value[(1)]
(1) Bonds held to maturity						
Of Government of Israel	2,762	2,762	-	59	(8)	2,813
Of financial institutions in Israel	324	324	-	5	-	329
Of others in Israel	23	23	-	1	-	24
Total bonds held to maturity	**3,109**	**3,109**	**-**	**65**	**(8)**	**3,166**

	Carrying amount	Amortized cost	Balance of provision for credit losses	Cumulative other comprehensive income[(4)] – Gains	Cumulative other comprehensive income[(4)] – Losses	Fair value[(1)]
(2) Bonds available for sale						
Of Government of Israel	7,929	7,905	-	86	(62)	7,929
Of foreign governments[(3)]	941	945	-	1	(5)	941
Of financial institutions in Israel	158	156	-	2	-	158
Of foreign financial institutions	216	213	-	3	-	216
Asset-backed (ABS)	28	28	-	-	-	28
Of others in Israel	720	671	-	50	(1)	720
Of others overseas	276	254	-	22	-	276
Total bonds available for sale	**10,268**	**10,172**	**-**	**164**	**(68)**	**10,268**

	Carrying amount	Cost	Balance of provision for credit losses	Adjustments to fair value yet to be realized[(5)] – Gains	Adjustments to fair value yet to be realized[(5)] – Losses	Fair value[(1)]
(3) Investment in shares not held for trading	**646**	**498**	**-**	**149**	**(1)**	**646**
Of which: Shares for which no fair value is available[(6)]	360	351	-	9	-	360
Total securities not held for trading	**14,023**	**13,779**	**-**	**378**	**(77)**	**14,080**

Note 5 – Securities – continued

September 30, 2021 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized[5] Gains	Adjustments to fair value yet to be realized[5] Losses	Fair value[1]
(4) Bonds held for trading						
Of Government of Israel	654	653	-	6	(5)	654
Of others in Israel	31	29	-	3	(1)	31
Of others overseas	23	22	-	1	-	23
Total bonds held for trading	**708**	**704**	**-**	**10**	**(6)**	**708**
Shares and other securities	18	20	-	3	(5)	18
Total securities held for trading	**726**	**724**	**-**	**13**	**(11)**	**726**
Total securities[2]	**14,749**	**14,503**	**-**	**391**	**(88)**	**14,806**

(5) Additional information about bonds	
Recorded debt balance of	
Impaired bonds not accruing interest revenues	51
	51

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

(2) Of which: Securities pledged to lenders, amounting to NIS 1,036 million and securities provided as collateral to lenders, amounting to NIS 88 million.

(3) US government bonds.

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

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

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

Remarks:

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

Note 5 – Securities – continued

As of December 31, 2021 (audited)

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized - Gains	Adjustments to fair value yet to be recognized - Losses	Fair value[(1)]
(1) Bonds held to maturity						
Of Government of Israel	2,634	2,634	-	62	(5)	2,691
Of financial institutions in Israel	271	271	-	4	-	275
Of others in Israel	29	29	-	-	-	29
Total bonds held to maturity	**2,934**	**2,934**	**-**	**66**	**(5)**	**2,995**

	Carrying amount	Amortized cost	Balance of provision for credit losses	Cumulative other comprehensive income[(4)] - Gains	Cumulative other comprehensive income[(4)] - Losses	Fair value[(1)]
(2) Bonds available for sale						
Of Government of Israel	7,314	7,244	-	110	(40)	7,314
Of foreign governments[(3)]	2,035	2,035	-	1	(1)	2,035
Of financial institutions in Israel	326	323	-	3	-	326
Of foreign financial institutions	177	176	-	2	(1)	177
Asset-backed (ABS)	6	6	-	-	-	6
Of others in Israel	712	659	-	55	(2)	712
Of others overseas	253	232	-	21	-	253
Total bonds available for sale	**10,823**	**10,675**	**-**	**192**	**(44)**	**10,823**

	Carrying amount	Cost	Balance of provision for credit losses	Adjustments to fair value yet to be realized[(5)] - Gains	Adjustments to fair value yet to be realized[(5)] - Losses	Fair value[(1)]
(3) Investment in shares not held for trading	**706**	**574**	**-**	**134**	**(2)**	**706**
Of which: Shares for which no fair value is available[(6)]	414	403	-	11	-	414
Total securities not held for trading	**14,463**	**14,183**	**-**	**392**	**(51)**	**14,524**

Note 5 – Securities – continued

As of December 31, 2021 (audited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized(5)		Fair value(1)
				Gains	Losses	
(4) Bonds held for trading						
Of Government of Israel	473	465	-	9	(1)	473
Of financial institutions in Israel	4	4	-	-	-	4
Of others in Israel	24	23	-	2	(1)	24
Of others overseas	49	47	-	2	-	49
Total bonds held for trading	**550**	**539**	**-**	**13**	**(2)**	**550**
Shares and other securities	20	21	-	4	(5)	20
Total securities held for trading	**570**	**560**	**-**	**17**	**(7)**	**570**
Total securities(2)	**15,033**	**14,743**	**-**	**409**	**(58)**	**15,094**

(5) Additional information about bonds	
Recorded debt balance of	
Impaired bonds not accruing interest revenues	45
	45

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

(2) Of which: Securities pledged to lenders, amounting to NIS 1,001 million and securities provided as collateral to lenders, amounting to NIS 146 million.

(3) US government bonds.

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

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

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

Remarks:

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

Note 5 – Securities – continued

Reported amounts (NIS in millions):

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

	Less than 12 months					12 months or more				
	Fair value[1]	Unrealized losses 0%-20%	20%-40%	Over 40%	Total	Fair value[1]	Unrealized losses 0%-20%	20%-40%	Over 40%	Total
	As of September 30, 2022 (unaudited)									
Bonds available for sale										
Of Government of Israel	2,505	166	46	-	212	2,160	370	8	21	399
Of foreign governments[2]	1,200	46	-	-	46	47	6	-	-	6
Of financial institutions in Israel	392	41	-	-	41	-	-	-	-	-
Of foreign financial institutions	213	8	1	-	9	19	3	2	-	5
Asset-backed (ABS)	53	5	-	-	5	-	-	-	-	-
Of others in Israel	615	50	-	-	50	3	-	1	-	1
Of others overseas	106	2	1	-	3	33	3	-	-	3
Total bonds available for sale	**5,084**	**318**	**48**	**-**	**366**	**2,262**	**382**	**11**	**21**	**414**
	As of September 30, 2021 (unaudited)									
Bonds available for sale										
Of Government of Israel	3,867	51	-	-	51	581	11	-	-	11
Of foreign governments[2]	890	5	-	-	5	-	-	-	-	-
Of foreign financial institutions	49	[3]-	-	-	-	-	-	-	-	-
Asset-backed (ABS)	22	[3]-	-	-	-	-	-	-	-	-
Of others in Israel	100	1	-	-	1	-	-	-	-	-
Total bonds available for sale	**4,928**	**57**	**-**	**-**	**57**	**581**	**11**	**-**	**-**	**11**
	As of December 31, 2021 (audited)									
Bonds available for sale										
Of Government of Israel	2,029	32	-	-	32	602	8	-	-	8
Of foreign governments(2)	1,834	1	-	-	1	-	-	-	-	-
Of financial institutions in Israel	25	[3]-	-	-	-	-	-	-	-	-
Of foreign financial institutions	38	1	-	-	1	-	-	-	-	-
Asset-backed (ABS)	1	[3]-	-	-	-	-	-	-	-	-
Of others in Israel	75	2	-	-	2	-	-	-	-	-
Of others overseas	5	[3]-	-	-	-	-	-	-	-	-
Total bonds available for sale	**4,007**	**36**	**-**	**-**	**36**	**602**	**8**	**-**	**-**	**8**

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.
(2) US government bonds.
(3) Balance lower than NIS 0.5 million.

Note 5 – Securities – continued

Reported amounts (NIS in millions):

(7) Asset-backed and mortgage-backed securities

	Carrying amount	Amortized cost	Cumulative other comprehensive income		Fair value
			Gains	Losses	
				As of September 30, 2022 (unaudited)	
Asset-backed bonds (ABS)	54	59	-	(5)	54
Total asset-backed bonds available for sale	**54**	**59**	**-**	**(5)**	**54**
				As of September 30, 2021 (unaudited)	
Asset-backed bonds (ABS)	28	28	-	-	28
Total asset-backed bonds available for sale	**28**	**28**	**-**	**-**	**28**
				As of December 31, 2021 (audited)	
Asset-backed bonds (ABS)	6	6	-	-	6
Total asset-backed bonds available for sale	**6**	**6**	**-**	**-**	**6**

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

Reported amounts (NIS in millions)

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

	September 30, 2022 (unaudited)					
	Loans to the public				Banks, governments and bonds	Total
	Comm-ercial	Housing	Individual – other	Total		
Recorded debt balance[1]						
reviewed on individual basis	74,427	-	414	74,841	23,136	97,977
reviewed on group basis	12,681	193,770	25,616	232,067	-	232,067
Total debts	**87,108**	**(2)193,770**	**26,030**	**306,908**	**23,136**	**330,044**
Of which:						
Non-accruing debts	1,270	1,567	73	2,910	-	2,910
Debts in arrears 90 days or longer	99	-	35	134	-	134
Other problematic debts	781	129	113	1,023	-	1,023
Total problematic debts	**2,150**	**1,696**	**221**	**4,067**	**-**	**4,067**
Balance of provision for credit losses with respect to debts [1]						
reviewed on individual basis	1,120	-	11	1,131	1	1,132
reviewed on group basis	382	858	433	1,673	-	1,673
Total provision for credit losses	**1,502**	**858**	**444**	**2,804**	**1**	**2,805**
Of which: With respect to non-accruing debts	**296**	**76**	**45**	**417**	**1**	**418**
Of which: With respect to other problematic debts	**154**	**6**	**44**	**204**	**-**	**204**

	September 30, 2021 (unaudited) [3]					
Recorded debt balance[1]						
reviewed on individual basis	58,601	47	524	59,172	20,858	80,030
reviewed on group basis	9,278	169,858	23,597	202,733	-	202,733
Total debts	**67,879**	**(2)169,905**	**24,121**	**261,905**	**20,858**	**282,763**
Of which:						
Non-accruing debts	1,185	-	52	1,237	1	1,238
Debts in arrears 90 days or longer	38	1,396	26	1,460	-	1,460
Other problematic debts	716	-	110	826	-	826
Total problematic debts	**1,939**	**1,396**	**188**	**3,523**	**1**	**3,524**
Balance of provision for credit losses with respect to debts [1]						
reviewed on individual basis	953	1	28	982	1	983
reviewed on group basis	108	847	226	1,181	-	1,181
Total provision for credit losses	**1,061**	**848**	**254**	**2,163**	**1**	**2,164**
Of which: With respect to non-accruing debts	**313**	**-**	**19**	**332**	**1**	**333**
Of which: With respect to other problematic debts	**130**	**1**	**18**	**149**	**-**	**149**

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

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 12,451 million (as of September 30, 2021 – NIS 10,204 million).

(3) Re-classified in conformity with new disclosure format.

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

Reported amounts (NIS in millions):

A. Debts[1], bonds held to maturity and available for sale, loans to the public and balance of provision for credit losses – continued

	December 31, 2021 (audited) [3]					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds	Total
Recorded debt balance:						
reviewed on individual basis	63,761	36	564	64,361	23,888	88,249
reviewed on group basis	9,162	175,722	24,286	209,170	-	209,170
Total debts	**72,923**	[2]**175,758**	**24,850**	**273,531**	**23,888**	**297,419**
Of which:						
Non-accruing debts	1,193	-	56	1,249	1	1,250
Debts in arrears 90 days or longer	26	1,300	26	1,352	-	1,352
Other problematic debts	708	-	111	819	-	819
Total problematic debts	**1,927**	**1,300**	**193**	**3,420**	**1**	**3,421**
Balance of provision for credit losses with respect to debts:						
reviewed on individual basis	959	1	21	981	1	982
reviewed on group basis	102	803	217	1,122	-	1,122
Total provision for credit losses	**1,061**	**804**	**238**	**2,103**	**1**	**2,104**
Of which: With respect to non-accruing debts	**302**	**-**	**17**	**319**	**1**	**320**
Of which: With respect to other problematic debts	**114**	**1**	**19**	**134**	**-**	**134**

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

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 11,145 million.

(3) Re-classified in conformity with new disclosure format.

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

Reported amounts (NIS in millions):

B. Change in balance of provision for credit losses

	For the three months ended September 30, 2022 (unaudited)					
	Provision for credit losses					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Individual – other	Total		
Balance of provision for credit losses at start of period	1,586	825	443	2,854	1	2,855
Expenses with respect to credit losses	98	36	21	155	-	155
Accounting write-offs	(58)	-	(63)	(121)	-	(121)
Collection of debts written off for accounting purposes in previous years	29	-	52	81	-	81
Net accounting write-offs	(29)	-	(11)	(40)	-	(40)
Other[2]	15	1	5	21	-	21
Balance of provision for credit losses at end of period	**1,670**	**862**	**458**	**2,990**	**1**	**2,991**
Of which: With respect to off balance sheet credit instruments	**168**	**4**	**14**	**186**	**-**	**186**
	For the three months ended September 30, 2021 (unaudited)					
Balance of provision for credit losses at start of period	1,271	859	286	2,416	3	2,419
Expenses (income) with respect to credit losses	(25)	(10)	1	(34)	(2)	(36)
Accounting write-offs	(37)	(2)	(40)	(79)	-	(79)
Collection of debts written off for accounting purposes in previous years	32	1	26	59	-	59
Net accounting write-offs	(5)	(1)	(14)	(20)	-	(20)
Other[2]	8	-	1	9	-	9
Balance of provision for credit losses at end of period	**1,249**	**848**	**274**	**2,371**	**1**	**2,372**
Of which: With respect to off balance sheet credit instruments	**188**	**-**	**20**	**208**	**-**	**208**
	For the nine months ended September 30, 2022 (unaudited)					
Balance of provision for credit losses at start of period	1,256	804	254	2,314	1	2,315
Opening balance adjustment for effect of initial application of public reporting directives with regard to expected credit losses[1]	275	(32)	149	392	-	392
Expenses with respect to credit losses	200	88	53	341	-	341
Accounting write-offs	(151)	-	(136)	(287)	-	(287)
Collection of debts written off for accounting purposes in previous years	84	-	97	181	-	181
Net accounting write-offs	(67)	-	(39)	(106)	-	(106)
Other[2]	6	2	41	49	-	49
Balance of provision for credit losses at end of period	**1,670**	**862**	**458**	**2,990**	**1**	**2,991**
Of which: With respect to off balance sheet credit instruments	**168**	**4**	**14**	**186**	**-**	**186**
	For the nine months ended September 30, 2021 (unaudited)					
Balance of provision for credit losses at start of period	1,383	942	340	2,665	2	2,667
Expenses (income) with respect to credit losses	(136)	(92)	(34)	(262)	(1)	(263)
Accounting write-offs	(157)	(5)	(113)	(275)	-	(275)
Collection of debts written off for accounting purposes in previous years	132	2	73	207	-	207
Net accounting write-offs	(25)	(3)	(40)	(68)	-	(68)
Other[2]	27	1	8	36	-	36
Balance of provision for credit losses at end of period	**1,249**	**848**	**274**	**2,371**	**1**	**2,372**
Of which: With respect to off balance sheet credit instruments	**188**	**-**	**20**	**208**	**-**	**208**

(1) Including with respect to residential mortgages of insignificant amount.

(2) Movement in provision for credit losses in subsidiary, primarily attributed to cost of acquisition upon initial consolidation, and is therefore not included on the consolidated balance sheet.

Note 7 – Deposits from the Public

Reported amounts (NIS in millions):

A. Deposit types by location solicited and depositor type

	September 30		December 31
	2022	2021	2021
		(Unaudited)	(Audited)
In Israel			
On-call			
Non interest-bearing	100,105	101,820	103,889
Interest-bearing	49,169	48,067	47,151
Total on-call	**149,274**	**149,887**	**151,040**
Term deposits	188,993	150,043	152,698
Total deposits in Israel(1)	**338,267**	**299,930**	**303,738**
Outside of Israel			
On-call			
Non interest-bearing	568	555	492
Interest-bearing	36	3	1
Total on-call	**604**	**558**	**493**
Term deposits	6,468	3,433	3,693
Total deposits overseas	**7,072**	**3,991**	**4,186**
Total deposits from the public	**345,339**	**303,921**	**307,924**
(1) Includes:			
Deposits from individuals	**149,515**	**139,905**	**139,715**
Deposits from institutional investors	**79,194**	**60,730**	**61,365**
Deposits from corporations and others	**109,558**	**99,295**	**102,658**

b. Deposits from the public by size

	September 30		December 31
	2022	2021	2021
		(Unaudited)	(Audited)
Maximum deposit (NIS in millions)			
Up to 1	99,670	96,054	95,170
Over 1 to 10	85,300	78,087	78,746
Over 10 to 100	46,141	44,978	44,740
Over 100 to 500	39,962	35,017	36,591
Above 500	74,266	49,785	52,677
Total	**345,339**	**303,921**	**307,924**

Note 8 – Employees' Rights

Description of benefits

1. Employment terms of the vast majority of Bank Group employees and managers are determined by provisions of collective bargaining agreements. Pension liabilities to these employees, except for Bank Yahav employees, are covered by regular deposits to pension, provident and severance-pay funds, which release the Bank from severance-pay liabilities for those employees by law. For more information about various benefits to Bank employees and managers, see Note 22 to the 2021 financial statements.
2. Remuneration policy for Bank officers and for all Bank employees other than officers
For more information about remuneration policy for Bank officers and remuneration policy for all Bank employees other than officers, see Note 22 to the 2021 financial statements.
3. Special collective bargaining agreement at Union Bank
For information about a special collective bargaining agreement was signed by Union Bank and two of its subsidiaries, by the New General Labor Union / the MAOF trade union / Bank and Credit Company Staff Division and by the Employee Union of Union Bank and the Manager and Authorized Signatory Association of Union Bank, see Note 22 to the 2021 financial statements.
4. Net benefit cost components recognized in profit and loss with respect to defined benefit and defined contribution pension plans (NIS in millions):

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)		(Unaudited)		(Audited)
Under payroll and associated expenses					
Cost of service(1)	19	21	60	64	84
Under other expenses					
Cost of interest(2)	18	12	52	36	53
Expected return on plan assets(3)	(5)	(2)	(14)	(8)	(13)
Deduction of non-allowed amounts:					
Net actuarial loss(4)	15	16	50	46	62
Total under other expenses	28	26	88	74	102
Total benefit cost, net	**47**	**47**	**148**	**138**	**186**
Total expense with respect to defined-contribution pension	51	49	151	147	193
Total expenses recognized in profit and loss	**98**	**96**	**299**	**285**	**379**

	Forecast	Actual deposits				
	For(5)	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2022	2021	2022	2021	2021
		(Unaudited)		(Unaudited)		(Audited)
Deposits	3	2	3	9	9	14

(1) Cost of service is the current accrual of the future employee benefit in the period.
(2) Cost of interest is the amount recognized in the period, set based on the increase in obligation with respect to expected benefit due to passage of time.
(3) Expected return is the expected return on plan assets, determined based on expected long-term rates of return on plan assets and based on the established market value of plan assets.
(4) Deduction of net gain or loss previously recognized in Cumulative Other Comprehensive Income.
(5) Estimated contributions expected to be paid into defined-benefit pension plans through 2022.

Note 9 – Capital Adequacy, liquidity and leverage

Reported amounts (NIS in millions)

A. Capital adequacy

Calculated in accordance with Proper Conduct of Banking Business Directives 201-211 "Measurement and Capital Adequacy"

	As of September 30		As of December 31
	2022	**2021**	**2021**
		(Unaudited)	**(Audited)**
1. Consolidated data			
a. Capital for purpose of calculating the capital ratio			
Tier I shareholders' equity	24,332	22,099	21,969
Tier I capital[(1)]	24,332	22,099	21,969
Tier II capital	7,854	8,169	7,914
Total capital	**32,186**	**30,268**	**29,883**
b. Weighted risk asset balances			
Credit risk[(3)]	228,416	195,936	202,611
Market risks	1,497	2,115	2,268
Operational Risk	15,369	13,655	13,831
Total weighted risk asset balances	**245,282**	**211,706**	**218,710**
c. Ratio of capital to risk components			
			In %
Ratio of Tier I equity to risk components [(1)] [(2)]	9.92	10.44	10.04
Ratio of Tier I capital to risk components	9.92	10.44	10.04
Ratio of total capital to risk components	13.12	14.30	13.66
Minimum Tier I equity ratio required by Supervisor of Banks[(3)]	9.61	8.60	8.60
Total minimum capital ratio required by the Supervisor of Banks[(3)]	12.50	12.50	12.50
2. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Ratio of Tier I equity to risk components	10.22	9.83	9.85
Ratio of Tier I capital to risk components	10.22	9.83	9.85
Ratio of total capital to risk components	13.15	13.58	13.49
Minimum Tier I capital ratio required by Supervisor of Banks	9.00	8.00	8.00
Total minimum capital ratio required by the Supervisor of Banks	12.50	12.50	12.50
Union Bank Le-Israel Ltd. and its subsidiaries			
Ratio of Tier I equity to risk components	28.14	14.94	16.28
Ratio of Tier I capital to risk components	28.14	14.94	16.28
Ratio of total capital to risk components	32.59	17.80	19.40
Minimum Tier I capital ratio required by Supervisor of Banks	9.64	8.40	8.43
Total minimum capital ratio required by the Supervisor of Banks	12.50	12.50	12.50

(1) These data include supervisory adjustments with respect to the following: Streamlining programs, charged equally over 5 years as from the start date thereof, effect of initial application of accounting principles with regard to expected credit losses and with respect to initial application of the Bank of Israel circular regarding weighting of loans subject to increased risk for purchase of land. For more information see section A.3 and A.4 below and sections G. and I. below.

(2) In a system-wide review conducted by the Supervisor of Banks in the banking system with regard to residential mortgages, calculation of the payment to income ratio (PTI) was revised in conformity with clarification issued regarding application of the directive. The effect of this revision (along with correction of a minor error in application of the calculation for a particular segment) resulted in a non-material increase in the Bank's risk assets, amounting to a decrease by 0.1% in the ratio of Tier I capital to risk components. These effects are included in calculation of Tier I capital ratio on the financial statements as of September 30, 2022.

(3) For more information about adjustments to minimum capital ratios due to the Corona Virus crisis, see section F. below.
For Tier I equity ratio added a capital requirement at 1% of the balance of residential mortgages as of the reporting date, except for residential mortgages extended during the Corona Virus crisis.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

a. Capital adequacy – continued

Calculated in accordance with Proper Conduct of Banking Business Directives 201-211 "Measurement and Capital Adequacy" – continued

		As of September 30	As of December 31
	2022	**2021**	**2021**
		(Unaudited)	**(Audited)**
3. Capital components for calculating the capital ratio (on consolidated data)			
a. Tier I equity			
Shareholders' equity	24,046	21,761	21,729
Differences between shareholders' equity and Tier I equity	(524)	(496)	(513)
Tier I equity before regulatory adjustments and deductions	**23,522**	**21,265**	**21,216**
Supervisory adjustments and deductions:			
Goodwill and intangible assets	(152)	(172)	(167)
Deferred tax assets	-	-	(6)
Supervisory adjustments and other deductions[1]	676	953	892
Total supervisory adjustments and deductions, before adjustments with respect to streamlining programs and before adjustments with respect to expected credit losses – Tier I equity	**524**	**781**	**719**
Total adjustments with respect to streamlining programs[2]	19	53	34
Total adjustments for expected credit losses [3]	267	-	-
Total Tier I equity after supervisory adjustments and deductions	**24,332**	**22,099**	**21,969**
b. Tier II capital			
Tier II capital: Instruments, before deductions	5,528	6,141	5,933
Tier II capital: Provisions for credit losses before deductions	2,533	2,028	1,981
Total Tier II capital, before deductions	**8,061**	**8,169**	**7,914**
Deductions:			
Deductions – Total adjustments for expected credit losses	(207)	-	-
Total Tier II capital	7,854	8,169	7,914
Total capital	**32,186**	**30,268**	**29,883**

4. Effect of adjustments with respect to streamlining programs, expected credit losses and loans subject to increased risk for land purchase on Tier I capital ratio

		As of September 30	As of December 31
	2022	**2021**	**2021**
			In %
Ratio of capital to risk components			
Ratio of Tier I equity to risk components, before effect of adjustments	9.75	10.41	10.03
Effect of adjustments with respect to the streamlining programs	0.01	0.03	0.01
Effect of adjustments for expected credit losses	0.12		
Effect of adjustments with respect to loans subject to increased risk for land purchase	0.04		
Ratio of Tier I equity to risk components	9.92	10.44	10.04

(1) Includes deferred credit balance from acquisition of Union Bank as from September 30, 2020 and deduction with respect to residential mortgages amounting to NIS 30 million. For more information see section H. below.

(2) Adjustments with respect to streamlining programs concerning employees (on September 30, 2021: NIS 72 million with respect to streamlining program concerning employees and NIS 2 million with respect to streamlining program concerning real estate; on December 31, 2021: NIS 38 million with respect to streamlining program concerning employees and NIS 1 million with respect to streamlining program concerning real estate).

(3) Adjustments with respect to expected credit losses - see section H below.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

B. Leverage ratio

Calculated in conformity with Proper Conduct of Banking Business Directive 218 "Leverage ratio"

	As of September 30		As of December 31
	2022	2021	2021
		(Unaudited)	(Audited)
1. Consolidated data			
Tier I capital[1]	24,332	22,099	21,969
Total exposure	462,856	411,555	423,950
	In %		
Leverage ratio	5.26	5.37	5.18
Minimum leverage ratio required by the Supervisor of Banks[2]	4.50	4.50	4.50
2. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Leverage ratio	5.86	5.39	5.55
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
Union Bank Le-Israel Ltd. and its subsidiaries			
Leverage ratio	13.24	6.95	8.37
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50

(1) For effect of adjustments with respect to the streamlining programs and adjustments with respect to expected credit losses, see sections A.3, A.4 above.

(2) Banking corporations are required to achieve the minimum leverage ratio required by the Supervisor of Banks as from January 1, 2018.

C. Liquidity coverage ratio

Calculated in accordance with Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio"

	As of September 30		As of December 31
	2022	2021	2021
		(Unaudited)	(Audited)
		In %	
1. Consolidated data			
Liquidity coverage ratio[1]	119	126	125
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
2. Bank data			
Liquidity coverage ratio[1]	120	118	120
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
3. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Liquidity coverage ratio[1]	250	242	266
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
Union Bank Le-Israel Ltd. and its subsidiaries			
Liquidity coverage ratio[1]	-	185	165
Minimum liquidity coverage ratio required by the Supervisor of Banks	-	100	100

(1) In terms of simple average of daily observations during the reported quarter.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

D. Minimum net stable funding ratio required by directives of the Supervisor of Banks

As from December 31, 2021, the Bank applies Proper Conduct of Banking Business Directive 222 concerning "Net stable funding ratio (NSFR)", which adopts the Basel Committee recommendation with regard to net stable funding ratio in the banking system in Israel. In conformity with this directive, the objective of the net stable funding ratio is to improve stability of the liquidity risk profile of banking corporations over the long term, by requiring banking corporations to maintain a stable funding profile in conformity with the composition of on-balance sheet assets and off-balance sheet operations. The net stable funding ratio consists of two components: available stable funding items (numerator) and required stable funding items (denominator). "Available stable funding" is defined as the part of capital and liabilities that may be relied upon over the time horizon taken into account in the net stable funding ratio, of one year. The required stable funding amount for a given corporation is based on the liquidity attributes and time to maturity of various assets held by the corporation, as well as of off-balance sheet exposures.
Pursuant to the directive, the minimum net stable funding ratio required is 100%.
The net stable funding ratio for significant banking subsidiaries in Israel is calculated in conformity with Proper Conduct of Banking Business Directive 222 "Net stable funding ratio". Net stable funding ratio in significant overseas banking corporations is presented and calculated in conformity with relevant directives in each jurisdiction, if specified.

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
		In %
(1) On consolidated data		
Net stable funding ratio	116	119
The minimum net stable funding ratio required by the Supervisor of Banks	100	100
(2) Significant subsidiaries		
Bank Yahav		
Net stable funding ratio	158	162
The minimum net stable funding ratio required by the Supervisor of Banks	100	100

Factors which may materially affect the net stable funding ratio

Net stable funding ratio on consolidated basis as of September 30, 2022 was 116%, compared to 114% as of June 30, 2022. This increase is due to an increase, quarter over quarter, in total net stable financing available (primarily under deposits from individuals and small businesses and wholesale financing), which was higher than the increase, quarter over quarter, in total required net stable funding (primarily under loans). Volatility of this ratio throughout the quarter was low; the main factors affecting the net stable funding ratio are: composition of Bank sources and uses by financing term, financing type and counter party. On the sources side – long-term liabilities are more stable than short-term liabilities, and funding from retail customers and small businesses is more stable than wholesale funding with the same maturity. When long-term sources grow shorter on a large scale (such as with subordinated notes) to a term shorter than one year, this factor affects the resulting ratio; however, because this is a funding source which typically has scattered maturities, the impact on the resulting ratio is not material. On the uses side – asset type, asset term and quality and liquidity value determine the required stable funding amount.

E. Basel III

As from January 1, 2014, the Bank applies Proper Conduct of Banking Business Directives 201-211 with regard to capital measurement and adequacy, as amended to align them with Basel III directives.

The Basel III directives stipulated significant changes to calculation of regulatory capital requirements, including with regard to the following:
- Supervisory capital components
- Deductions from capital and supervisory adjustments
- Treatment of exposures to financial corporations
- Treatment of exposures to credit risk with respect to impaired debt
- Capital allocation with respect to CVA risk

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

These regulations are applied gradually, in line with transitional provisions specified in Proper Conduct of Banking Business Directive 299 with regard to "Capital measurement and adequacy – Supervisory capital – Transitional provisions", in order to allow for compliance with new supervisory capital requirements in applying Basel III and to specify a transition period pending full application. The transition provisions refer, *inter alia*, to supervisory adjustments and deductions from capital, and to capital instruments not qualifying for inclusion in supervisory capital, in conformity with the new criteria stipulated in Basel directives. In particular, in conformity with transition provisions, supervisory adjustments and deductions from capital, and non-controlling interest not qualifying for inclusion in supervisory capital were gradually deducted from capital, at 20% in each year from January 1, 2014 through January 1, 2018. Capital instruments no longer qualifying as supervisory capital were recognized up to a cap of 80% on January 1, 2014, and this cap is reduced by a further 10% in each subsequent year through January 1, 2022. Consequently, as from January 1, 2022, transition provisions expired and non-qualifying capital instruments may no longer be recognized in supervisory capital.

F. Ratio of capital to risk components

As per instructions of the Supervisor of Banks, the Bank is required to maintain a minimum Tier I equity ratio of no less than 9% and a minimum total equity ratio of no less than 12.5% of weighted total of risk components of its balance sheet assets and off-balance-sheet items. Calculation of total capital and total risk components is set forth in the directives.

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

Due to the Corona Virus outbreak and as part of adaptations of Proper Conduct of Banking Business Directives, the Supervisor of Banks issued Proper Conduct of Banking Business Directive 250 which includes, inter alia, an interim directive with regard to update to Directive 201, including reduction of regulatory capital requirements applicable to banks by one percentage point, and update to Directive 329, eliminating the capital requirements of one additional percentage point for residential mortgages for purchase of a residential apartment extended from March 19, 2020 through September 30, 2021 and for general purpose residential mortgages extended as from March 19, 2020.

During the crisis, the Supervisor of Banks issued updates extending the validity of the Interim Directive, and with regard to reduction of capital requirements, the Supervisor of Banks stipulated that this relief measure would apply through 24 months after expiration of the directive, provided that the banking corporation's capital ratios would not be lower than the capital ratios upon expiration of the directive, or the minimum capital ratios applicable to the banking corporation prior to the Interim Directive, whichever is lower. However, the circular stipulates that reduction of capital ratios by up to 0.3 percentage points within six months after expiration of the directive shall not be deemed a deviation from the foregoing.

On December 27, 2021, the Supervisor of Banks issues a circular whereby the Interim Directive would expire as from January 1, 2022. Furthermore, an update was made to Proper Conduct of Banking Business Directive 329 regarding "Restrictions on residential mortgages" whereby the additional capital requirement at 1 percentage point would only apply to residential mortgages and would not apply to residential mortgages other than for purchasing interest in real estate and by mortgage on an apartment (hereinafter: "General-purpose loan").

In conformity with the Interim Directive and considering the additional capital requirement out of the balance of residential mortgages, the minimum Tier I equity ratio required of the Bank as of the reporting date is 9.61%, and the minimum total capital ratio required of the Bank as of the reporting date is 12.50% (to which appropriate safety margins would be added).

G. Issue and redemption of subordinated notes with loss-absorption provisions

In January 2022, after approval was granted by the Bank of Israel, the Bank conducted an early redemption of subordinated note (Series A) for NIS 2.1 billion. The subordinated note issued by the Bank did not qualify as supervisory capital pursuant to Basel III directives and was gradually written down.

Further to the Supervisor of Banks' approval, Tefahot Issuance conducted early redemption of contingent subordinated notes (CoCo) (Series 56, recognized by the Supervisor of Banks as Tier II capital of the Bank) on September 10, 2022, for NIS 0.3 billion.

In August 2022, Bank Yahav made a full, early redemption, after approval by the Bank of Israel, of CoCo contingent subordinated notes amounting to NIS 129 million

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

H. Effect of application of accounting principles with regard to expected credit losses on supervisory capital

As from January 1, 2022, the Bank applies the new directives with regard to expected credit losses (CECL) and charges the cumulative effect to retained earnings upon initial application. On December 1, 2020, the Supervisor of Banks issued a circular regarding "Supervisory capital – Effect of implementation of accounting principles with respect to expected credit losses", which included, *inter alia*, an update to Proper Conduct of Banking Business Directive 299, stipulating that if, due to initial application of these rules, upon the date when a banking corporation should initially apply these rules, the banking corporation's Tier I equity should decrease, then the banking corporation may partially include in Tier I equity (i.e. add back to Tier I equity) the decrease in Tier I equity recorded upon initial application, over three years (hereinafter: "transition period").

The effect of this relief on the Tier I capital ratio was 0.1% as of September 30, 2022.

For more information about the effect of initial application, see Note 1.D.1. above.

I. The standard approach for calculation of counter-party credit risk exposure (SA-CCR)

In March 2014, the Basel Committee on Bank Supervision issued updates to the Basel III directives, including a new directive with regard to "Standard approach for calculation of counter-party credit risk exposure (SA-CCR)".

On December 1, 2021, the Supervisor of Banks issued a circular revising Proper Conduct of Banking Business Directives which include, inter alia, addition of Proper Conduct of Banking Business Directive 203A regarding "Handling counter-party credit risk in conformity with SA-CCR", which replaces the current approaches in Directive 203 for calculation of counter-party exposure upon default. In conformity with the circular, the Directive applies as from July 1, 2022.

On August 15, 2022, the Supervisor of Banks issued a circular whereby the risk weighting with respect to CVA risk attributed to insurers, provident funds and mutual funds would be revised in conformity with the risk weighting attributed to banking corporations.

The Bank applies the Directive as from July 2022. Application of this directive has no material impact on the Bank's capital adequacy ratios.

In December 2021, the Supervisor of Banks issued Proper Conduct of Banking Business Directive 208A revising the calculation of capital allocation with respect to CVA risk.

On February 21, 2022, the Supervisor of Banks issues a circular whereby the Directive would be applied as from January 1, 2025.

The Bank applies the Directive as from July 2022. Application of this directive has no material impact on the capital adequacy ratios.

J. Circular regarding update to Proper Conduct of Banking Business Directive 203 "Capital measurement and adequacy" – Standard approach – credit risk

On May 22, 2022, the Supervisor of Banks issued a circular updating Proper Conduct of Banking Business Directive 203 ("Capital measurement and adequacy – Standard approach – Credit risk"), designed to address exposure to the construction and real estate sector.

According to the circular, loans designated for purchase of land for development or construction, with an LTV higher than 80% of the purchased property value, shall carry an increased risk weighting of 150%, except for loans for purchase of agricultural land with no planning horizon or intention to apply for re-zoning, and except for loans designated for purchase of land for own use by the borrower, who is not classified under the Construction and Real Estate sector, based on sector classification in Supervisory Reporting Directive 831 "Total credit risk by economic sector".

The directive applies as from June 30, 2022, but the Bank may apportion the impact of change in risk weighting on the capital adequacy ratio with respect to the current loan portfolio as of June 30, 2022 in equal quarterly rates, from September 30, 2022 through June 30, 2023.

As of September 30, 2022, there was no material impact on the capital adequacy ratios, as is the case later in the attribution cycle.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

K. Leverage ratio

On April 28, 2015, the Supervisor of Banks issued a new Proper Conduct of Banking Business Directive 218 concerning "Leverage ratio". This directive 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 according to Basel rules to total exposure. 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 consolidated basis, compared to 5% prior to this change. In conformity with circulars issued March 22, 2021, September 30, 2021 and May 15, 2022, the Directive was extended and applies from issue date thereof through December 31, 2023. After expiration of the Directive, the relief shall remain in effect for a further 24 months, provided that the leverage ratio would be no less than the leverage ratio upon expiration of the Directive, or the minimum leverage ratio applicable to the banking corporation prior to the Interim Directive, whichever is lower.

On May 15, 2022, the Supervisor of Banks issued another circular, whereby this relief shall apply through June 30, 2024, provided that the leverage ratio would be no less than the leverage ratio as of December 31, 2023, or the minimum leverage ratio applicable to the banking corporation prior to the Interim Directive, whichever is lower.

L. For more information about dividends, see "Condensed Statements of Changes in Shareholders' Equity" and Note 17 for Capital below.

M. For more information about directives and instructions by the Supervisor of Banks with regard to capital adequacy, see Note 25 to the financial statements as of December 31, 2021.

Note 10 - Contingent Liabilities and Special Commitments

Reported amounts (NIS in millions)

A. Other liabilities and special commitments

	September 30		December 31
	2022	2021	2021
		(Unaudited)	(Audited)
1. Computerization and software service contracts	350	510	382
2. Acquisition and renovation of buildings	23	22	16

3. Credit sales operations

The following table provides a summary of credit sales operations at the Bank:

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
		(Unaudited)		(Unaudited)	(Audited)
Carrying amount of credit sold	1,900	-	1,903	-	234
Consideration received in cash	1,940	-	1,943	-	234
Consideration received in securities	-	-	-	-	-
Total consideration	1,940	-	1,943	-	234
Service obligation – expense with respect to operational services	32	-	32	-	-
Total net gain with respect to credit sold	8	-	8	-	-

B. Contingent liabilities and other commitments

1. For more information about contingent liabilities and other commitments by the Bank Group, see Note 26 to the 2021 financial statements. Below is a description of material changes from the Note included in the 2021 financial statements.
2. Various claims are pending against the Bank and its subsidiaries, namely, claims of customers, as well as motions for recognition of various class actions. In the estimation of the management of the Bank, based on the estimation of the managements of its subsidiaries and on the opinion of their legal counsel as to the possible outcome of the pending claims (for claims brought against the Bank) and motions for approval of claims as class actions, the financial statements include appropriate provisions, where necessary, to cover possible damages.

   Below are details of significant claims, including motions for approval of class action status and claims in which the amount claimed (excluding interest and fees) exceeds 1% of Bank equity which had developments and changes from the description in the 2021 financial statements:

   a) In February 2016, a claim and application for class action status was filed with the Tel Aviv District Court against the Bank and against Bank HaPoalim Ltd., Bank Leumi Le-Israel Ltd., Bank Discount Le-Israel Ltd. and First International Bank of Israel Ltd. (hereinafter: "the Defendants"). The plaintiff set the claim amount for all defendant Banks, jointly and severally, at NIS 219 million. The motion concerns alleged discrimination in providing service to student groups by age, allegedly in violation of the Prohibition of Discrimination in Products, Services and in Access to Entertainment Venues and to Public Venues Law, 2000 (hereinafter: "the Non-Discrimination Law") and the Banking Law (Customer Service), 1981 (hereinafter: "the Banking Law").

      The plaintiff alleges that this is the overall policy of all defendants, with a decision made to eliminate the "non-young" population from the benefit program. The plaintiff asks, in conformity with the Class Actions Law, for the claim to be filed on behalf of all students discriminated against due to their age, by comparison to younger students, who were precluded from receiving student benefits from the defendants in the past seven years (for causes pursuant to the Banking Law or as from July 15, 2014 (pursuant to the amendment to the Non-Discrimination Law).

Note 10 – Contingent Liabilities and Special Commitments – continued

The Bank filed its response to the motion on September 13, 2016 and the plaintiff has filed their response to this response. On October 27, 2016, the plaintiff filed its response to the Bank's response to the motion. On January 25, 2017, a preliminary hearing was held on the motion for approval. An evidentiary hearing set for September 2017 was canceled after the parties concluded a written agreement. The plaintiff's summation was filed on October 26, 2017 and the Bank's summation was filed on December 21, 2017. The plaintiff filed their response summation, including a motion for removal of annexes enclosed with the banks' summations. The banks filed their response to this motion on January 9, 2018 and on September 26, 2019 a verdict was handed down, rejecting the motion for class action status and erasing the personal claim. On November 4, 2019, the plaintiff appealed the denial of the motion to the Supreme Court. The parties have filed their summations. On June 2, 2021, a hearing took place at the Supreme Court. On October 20, 2022, the Supreme Court issued a verdict denying the appeal, with no expenses awarded.

b) In May 2016, a lawsuit was filed against the Bank with the Tel Aviv Yafo District Court, along with a motion for class action status, amounting to NIS 220 million. The lawsuit alleges unlawful over-charging of commissions to customers eligible to be classified as a small business, in breach of the Bank's duties in its relations with customers.

The plaintiff claims that the Bank has not disclosed to customers who manage a small business that they are eligible for the lower commission schedule of a "small business", in order to foil the commission reform and to charge small businesses commissions other than according to the small business tariff, allegedly resulting in unlawful gain at their expense.

The Bank filed its response to the motion on November 1, 2016 and the plaintiff filed their response to the Bank's response on November 30, 2016.

On April 23, 2017, a preliminary hearing took place and resolutions were handed down with regard to questions and document discovery; the parties are to comply with these by May 23, 2017. Given the plaintiff's notice of their intention to file a motion to consolidate the hearing of this motion with a hearing of 5 other motions for class action status in lawsuits filed on the same matter, on June 22, 2017 the Bank filed a motion with the Court seeking a stay of proceedings in this lawsuit, including preliminary discovery proceedings, pending a ruling by the Supreme Court on the motion for consolidation. On June 28, 2017, a motion was filed with the Supreme Court to combine the hearing of this case with the five other motions; The Bank filed its response to the motion on July 10, 2017; On July 20, 2017, the Court ruled and rejected the motion to combine all of these motions.

As directed by the Supreme Court, a motion was filed to consolidate the hearing of the motions for approval to the District Court. On January 21, 2018 the motion for consolidation was heard. On April 17, 2018, a resolution was handed down combining the hearing of this motion with 5 other motions filed against 5 other banks. Consequently, a pre-trial hearing of all these motions was scheduled for December 19, 2018. At this hearing, the Court discussed a motion by the Bank to erase sections from the plaintiff's response, as well as a motion by the plaintiff to erase the Bank's response to the motion for approval, citing alleged breach of a prior resolution with regard to document discovery.

On November 28, 2019, the Court handed down a ruling on the pre-trial motions, rejecting the motion by the plaintiff to erase the Bank's response. The plaintiff has filed a motion to appeal with the Supreme Court the ruling rejecting their discovery motion, and a resolution on this matter is still pending. As ruled by the Court, on May 17, 2020 the Bank filed its response to the plaintiff's response to the Bank's response to the motion for approval. A pre-trial hearing was held on April 6, 2021 and dates for evidentiary hearings were scheduled for March 2023. Concurrently, on July 19, 2021, the Court handed down a resolution which proposed that the parties conduct a mediation proceeding prior to the scheduled evidentiary hearing, and the parties accepted the Court's proposal. On November 24, 2021, a mediation meeting took place which was un-successful. On January 3, 2022, the Court handed down its resolution with regard to a request for the opinion of the Supervisor of Banks, allowing either party to provide to the Court three questions which they would like for the Supervisor to refer to in their position statement. Accordingly, on February 8, 2021, a notice was filed on behalf of the banks, listing their proposed questions. On February 13, 2022, the Court ruled, instructing the Supervisor of Banks to provide their opinion with regard to the dispute subject of the motions, and their comments on the questions filed by the parties. On February 16, 2022, the plaintiff filed a motion seeking to disclose Bank information about the percentage of small businesses out of all corporations; The Bank filed its response to the motion on April 14, 2022. On May 25, 2022, the Court ruled and rejected the plaintiff's motion to disclose the aforementioned requested information.

Note 10 – Contingent Liabilities and Special Commitments – continued

On August 22, 2022, the Supervisor of Banks filed their position with regard to the dispute in this case, with reference to questions sent to the Supervisor of Banks. Following the position expressed by the Supervisor of Banks, the Court suggested that both parties should resume the mediation proceeding. Given the agreement in principle by all parties to conduct a mediation proceeding, on October 19, 2022 the Court issued a ruling recommending the allocation of payment of the mediator fees, to which the Bank has consented. The mediator has yet to be named.

c) In December 2017, a claim and motion for approval of class action status was filed with the Central District Court in Lod amounting to NIS 124 million. The claim involves setting of the interest rate on residential mortgages bearing adjustable interest – bonds. The plaintiffs allege that the Bank issues an approval in principle to the customer, listing the bond base as the only mechanism for interest calculation in the adjustable interest track – bonds for the term of the loan. However, the loan agreement includes another mechanism titled "Emergency Protection Mechanism" for setting the interest rate, in addition to the original mechanism, without providing proper disclosure. It was further alleged that the condition specified by the Bank in the agreement for activation of the emergency defensive provision is unfair and provides the Bank with an unreasonable advantage over the customers.

the Bank filed its response on July 25, 2018. The plaintiff filed its response to the Bank's response on January 6, 2019.

On February 27, 2019, a pre-trial hearing took place in the motion for approval, after which the Court recommended that the parties seek mediation to tr and resolve their dispute by mutual agreement. As proposed by the Court, the parties have started a mediation process.

On January 18, 2022, the parties filed a motion with the Court seeking approval of a settlement agreement, announcing that following the mediation proceeding, the parties have reached a settlement agreement in the motion for approval of this lawsuit. On February 3, 2022, the Court gave its comments on the settlement agreement. The revisions to the settlement agreement as requested by the Court were made and submitted. On April 17, 2022, a resolution was issued with regard to publishing a notice of the motion filed for approval of the settlement agreement. On May 12, 2022, the notice was duly published. Concurrently, the settlement agreement was referred for comments by the Attorney General. On November 4, 2022, the Attorney General filed its position, objecting to the settlement agreement as it currently stands. On November 6, 2022, the Court issued a ruling instructing the parties to file within 14 days their responses to the Attorney General's position. A motion has been filed seeking extension of the deadline for filing the parties' position on the Attorney General's objection, through December 10, 2022. the motion was approved.

Note 10 – Contingent Liabilities and Special Commitments – continued

d) In September 2018, a lawsuit and motion for class action status was filed with the Tel Aviv District Court, in the amount of NIS 180 million (estimated).

The motion alleges over-charging of commission upon early repayment of residential mortgages consisting of multiple tracks, some of which have generated positive capitalization differences and some of which have generated negative capitalization differences, where the Bank fails to offset the capitalization differences of the different tracks against each other, allegedly in contravention of provisions of the Banking Ordinance (Early repayment of residential mortgage), 2002.

The plaintiff seeks a ruling, pursuant to the Class Action Lawsuit Law, whereby the lawsuit would be filed on behalf of all Bank customers who have and/or would repay a mortgage by full or partial early repayment and one of their tracks generated a negative capitalization balance not offset against the early repayment fee, as stipulated by law. In March 2019, the plaintiff's attorney announced that they were considering replacing the expert opinion enclosed with the motion for approval with an opinion from another expert. Consequently, the deadline for filing the Bank's response to the motion was postponed by agreement to April 29, 2019. Due to disagreement on the text of the opinion, the filing of the response will be delayed pending a motion by the plaintiff to amend the motion for approval. On June 3, 2019, the litigation agreement reached by the parties was approved; Accordingly, the Bank filed its response to the motion for approval on October 29, 2019; The plaintiff filed their response to the Bank's response on January 1, 2020.

On January 5, 2020, a pre-trial hearing took place in this case, at which the Court ruled that it would await further claims to be formulated by the parties, including with regard to a combined hearing with similar motions filed on the same matter. On March 16, 2020, the plaintiff filed a motion for document discovery. On August 10, 2020, the Bank filed its response to the motion for discovery, and the plaintiff has filed their response to the Bank's response. On September 15, 2020, a preliminary hearing took place at which the parties were required to file their position by October 25, 2020 as to whether the motion for approval may be ruled upon based on the material in the case and written summations; consequently, the Bank has filed its position insisting on conducting an evidentiary proceeding. A preliminary hearing took place on February 9, 2021, after which a resolution was handed down accepting the Bank's position and setting dates for evidentiary hearings. An evidentiary hearing took place on May 30, 2021. Following this hearing, the parties agreed to submit the case to mediation. The parties held multiple mediation meetings, and the mediation proceeding has yet to be concluded.

e) In December 2018, a claim and motion for class action status was filed with the Tel-Aviv District Court, in the total amount of NIS 280 million, against the Bank, Bank Leumi, Bank HaPoalim, Bank Discount and against insurance companies Harel, HaPhoenix and Menorah, alleging unlawful over-charging of insurance premium for superfluous insurance policies issued to the building owner, even though at the time of their issue, the same or another insurance company already had issued insurance policies covering the same building for the same period.

The plaintiffs set the total damage, jointly and severally, at NIS 280 million. They claim that the damage with respect to each bank, should the defendants seek proportionate liability, is based on their market shares – with at least half of the damage to be attributed to the banks and the remainder – to the insurers.

The Bank filed its response to the motion for approval on June 10, 2019 and the plaintiff filed their response to the Bank's response on March 5, 2020. On February 16, 2021, a preliminary hearing took place, at which the Court highlighted the challenges in the motion and in combining defendants of two types (insurance companies and banks), and instructed the plaintiffs to state, by May 2, 2021, how they intend to continue with the motion for approval and against which defendants. The plaintiffs informed the Court that they were in discussions with some of the defendants in this case, and asked for an extension to provide the update. The plaintiffs must file their position by August 1, 2021. The Court accepted the plaintiffs' motion for an extension for discussions with some of the defendants, through October 30, 2021. Such update notices were filed on October 31, 2021 and on December 31, 2021, wherein the plaintiff announced that they continued to be in discussions with defendants (other than banks), and asked for a further 30-day extension to conclude these discussions. The Court accepted the request made by the parties. Accordingly, the plaintiffs should file their position by January 31, 2022. On February 7, 2022, the Court ruled that the plaintiffs should refer in the update notice to all defendants (due to notices filed by some insurers with whom no negotiations are being conducted). Consequently, on February 13, 2022 the plaintiffs filed their own statement. On March 23, 2022, a hearing took place at which the evidentiary hearings were scheduled. An evidentiary hearing took place on November 8, 2022, at which the plaintiff's witnesses were questioned. Another evidentiary hearing is scheduled for January 1, 2023.

Note 10 – Contingent Liabilities and Special Commitments – continued

f) In May 2020, a motion for approval of class action status was filed with the Tel Aviv District Court, alleging breach of duty of confidentiality, by the Bank providing various identifiable information to international information corporations, and in particular to Facebook, allowing them to gather private information about Bank customers, allegedly in breach of provisions of the Privacy Protection Law, 1981 and other statutes, without providing required disclosure to Bank customers and without obtaining their consent. The plaintiff alleges that the Bank uses third-party tools, such as those of Facebook and Google, to monitor its customers when transacting on Bank web sites and apps, in order to conduct advertising campaigns, while these corporations process the information provided about the customers for their own needs, with no disclosure provided with regard to the purposes for which such information is being gathered and what information exactly is being gathered, other than a "legal disclaimer" on the Bank website which, the plaintiff alleges, is deficient and may not be regarded as consent. The plaintiff further alleges that all conditions listed in Bank documents, allowing the Bank to provide information about its customers to third parties, including the "legal disclaimer", constitute unfair conditions in a uniform contract. The plaintiff allegedly is unable to quantify the total damage to the class. The Bank filed its response to the motion for approval on March 1, 2021. On June 27, 2021, the plaintiff filed their response to the Bank's response to the motion for approval of class action status. On July 15, 2021, a consolidated hearing of this motion and a motion filed in the same matter against other banks took place, after which deadlines were set for filing withdrawal motions with regard to changes to and expansion of the front of the plaintiff's response and responses there to. Therefore, on August 30, 2021, the Bank filed a motion to dismiss parts of the plaintiff's response to the Bank's response to the motion for approval. On November 29, 2021, the plaintiff filed their response to the motion to dismiss, and on December 9, 2021, the Bank filed its response to the plaintiff's response. In conformity with the resolution by the Court, the lawsuits would be referred to the Supervisor of Banks for comments after a resolution will have been given in the motion to withdraw. Such resolution has yet to be given.

g) In April 2021, a motion for class action status was filed with the Tel Aviv District Court, against the Bank and 14 other defendants (other banks and financial institutions, hereinafter: "the defendants"), alleging transfer of private information to third parties while browsing the "Personal Zone" on websites and apps operated by the defendants, allegedly in violation of privacy and allegedly in breach of provisions of the Privacy Protection Law, Banking Rules and multiple other obligations imposed on the defendants.

The plaintiffs allege that the Personal Zone includes private, confidential information which is provided to third parties without express consent of the customers – and in particular to Google and its advertising service. This is done, *inter alia*, in conjunction with the Bank's use of Google's Google Analytics service. The plaintiff did not state the class damage amount. However, they estimate that monetary and non-monetary damage incurred by each class member amounts to NIS 2,000.

On June 23, 2022, the Bank filed its response to the motion for approval, with an enclosed expert opinion, and the plaintiffs filed their response to the Bank's response. On November 6, 2022, a pre-trial hearing took place in which the Court presented to the parties the alternatives for further resolution of the dispute, and ruled that the defendants should indicate, no later than November 27, 2022, whether they consent to mediation. The Court also ruled that should the mediation be unsuccessful, the defendants may file motions to dismiss parts of the response to the response, within 30 days after announcing such unsuccessful conclusion.

Another pre-trial hearing is scheduled for September 14, 2023.

h) In September 2021, the Bank received a motion for approval of class action status, filed at the Central District Court in Lod, against the Bank and four other banks, alleging publication, presentation, setting or charging commissions in foreign currency, in alleged violation of the law, rather than in NIS, and that the banks collect these fees in NIS base on high conversion rates. of NIS to foreign currency. The plaintiffs allege that bank price lists include various bank services for which commissions are denominated in foreign currency rather than in NIS, for services which have not been authorized to publish or charge commissions in foreign currency, across the board – even for customers who have no accounts in foreign currency. The plaintiffs further allege that the defendants collect these commissions with notional conversion of NIS to foreign currency at conversion rates higher than the official conversion rates published by the Bank of Israel.

Note 10 – Contingent Liabilities and Special Commitments – continued

The plaintiffs seek a determination, whereby the lawsuit would be filed in the name of any or all customers of the defendants, who have received bank services from the defendants, including third parties, and have been charged, directly or indirectly, a commission or expense that has been published, presented or set on the price list in a currency other than NIS (except for the three services set in USD on the complete price list, or for customers who have a foreign currency account).

The plaintiffs note that they are unable to accurately estimate the total damage to class members.

Even prior to the deadline for filing the Bank's response, on January 2, 2022, a hearing was held in this motion for approval, consolidated for hearing purposes with another motion alleging the opposite, whereby when a fee is specified in USD on the Bank price list, the Bank should charge it in USD rather than in NIS. At the conclusion of this hearing, the parties agreed for the plaintiffs to announce their withdrawal of the motion and to commit for the plaintiffs and anyone on behalf thereof not to file it again, with the plaintiffs charged for expenses. In conformity with the resolution, on March 22, 2022 the agreed motion to withdraw was filed. On May 9, 2022, a verdict was given confirming the motion to withdraw and charging expenses to the plaintiffs.

For all claims against the Bank Group in individual amounts over NIS 2 million, excluding claims listed in section 2 above, there is additional, non-remote exposure for which no provision was made, amounting to NIS 116 million.

3) Motions for class action status are pending against the Bank and its subsidiaries, where the amount claimed is material, as well as appeals to the High Court of Justice, as itemized below, which, in the opinion of the Bank's management, based on the opinion of the managements of its subsidiaries, and on the opinion of their legal counsel, the prospects for which cannot be estimated on the date of the financial statements, hence no provision was made for these.

   a) In February 2022, the Bank received a motion for class action status, filed with the Jerusalem District Court against the Bank and 9 other banks and against 2 private companies that operate, independently or by franchise, non-bank ATMs ("the motion").
   The motion concerns cash withdrawals from customer accounts at the defendant banks, made through non-banking ATMs operated by public companies.
   The motion alleges, *inter alia*, that banks charge their customers an additional commission without full disclosure and allegedly unlawfully, for cash withdrawals made through private / non-banking ATMs, in addition to the commission paid to the private companies that operate these ATMs.
   It is further alleged that these actions are in violation of the banks' statutory obligation to provide proper service to all customers, including those in areas where the bank branch had been closed (for the Bank, the motion noted that the Bank does not act to close branches); the scope of deployment of bank ATMs does not provide a solution for the entire population and for all bank customers. The damage to the class, according to the motion, was set at NIS 458 million in total against all defendants, with the plaintiff allowing the Court discretion in allocating liability among the defendants.
   The Bank filed its response to the motion on August 7, 2022. The plaintiff filed their response to the banks' response. A pre-trial hearing is scheduled for December 20, 2022.

Note 10 – Contingent Liabilities and Special Commitments – continued

b) In April 2022, the Bank received a motion for class action status with no estimated amount, filed against the Bank with the Tel Aviv Yafo District Court. The motion alleges unlawful charging of a file opening commission upon loan origination, with this commission being "disguised interest", in breach of the Fair Credit Law, 1993 and in violation of provisions of Regulation 3 of the Non-bank Loan Regulations (Exclusion of credit transaction types from the scope of the law and exclusion of expenses from the scope of "addition"), 2019. Given the verdict, which denied a motion for class action status filed with a similar cause against a non-bank lender (Mimun Yashir), after discussing issues similar to the above motion (including interpretation of Amendment 5 to the Fair Credit Law, 1993 and regulations based there upon, as well as the issue of "hidden interest"), on September 22, 2022 the Court granted a stay of proceedings in this case, including delay in filing the Bank's response to the motion for class action status, pending a ruling by the Supreme Court in an appeal expected to be filed, based on the attorney notice in that case.

c) In April 2022, the Bank received a motion for approval of a class action lawsuit, filed with the Haifa District Court, concerning double charging of commission, allegedly unlawfully, in an exchange transaction of two foreign currencies, and absence of proper disclosure about these charges in the conversion differences.
As for the charging of a transaction commission, the plaintiff alleged that for conversion between two foreign currencies the Bank charges two transaction commissions (a sale transaction - conversion from one currency to NIS, and a buy transaction - conversion from NIS to the other currency), even though according to them, there was actually a single exchange transaction executed from one foreign currency to the other. As for the charging of conversion differences, the plaintiff alleged that the Bank does not disclose to the customer in advance, neither in the price list nor in the booklet "General terms and conditions for account management", the exact charging of conversion differences that would apply to the transaction.
The plaintiff noted that they were unable to accurately estimate the damage incurred by class members.
On June 2, 2022, the Bank filed a motion to dismiss out of hand, due to Court action in view of verdicts given in previous lawsuits filed by the attorney of the plaintiff in this case, all of which had been denied, or dismissed out of hand, as approved by the Supreme Court. On June 23, 2022, the plaintiff filed their response to the motion to dismiss out of hand. On June 13, 2022, the Bank filed a motion for an extension for filing the Bank's response to the motion for approval; On June 30, 2022, the Court ruled that the Bank's response to the motion for approval is to be filed within 30 days after ruling on the motion to dismiss out of hand. Further to the motion to dismiss out of hand, and in conformity with the Court ruling dated July 26, 2022, on September 5, 2022 the Bank filed a "comparison table", with reference to sections of the aforementioned motion for class action status, against reference to sections of motions for class action status previously discussed and ruled upon, according to the Bank. On September 21, 2022, the plaintiff filed their comments on the comparison table On November 24, 2022, a hearing took place where the motion to dismiss out of hand was discussed; a resolution on this motion is still pending.

d) In September 2022, the Bank received a motion for class action status, filed with the Tel Aviv-Yafo District Court, concerning alleged unlawful charging of arrears interest and debt collection proceedings due to failure to repay loans of any kind, without prior warning, in contravention of provisions of Section 5(c) of the Banking Law (Customer Service), 1981, which stipulates that a banking corporation shall not advertise any encouragement for customers to obtain a loan, unless accompanied by a warning such as "Failure to make loan repayments may result in arrears interest charges and in debt collection proceedings".
Allegedly, the Bank presents on its marketing website various loans for diverse purposes, and encourages its customers to obtain loans, where the actual advertising and/or another marketing method do not include the aforementioned warning (the plaintiff notes that a clarification is provided at the bottom of the page in small print, rather than a clear, separate warning for each offer, as allegedly stipulated by law).
The motion does not indicate the alleged damage incurred by the class.
The Bank must file its response to the motion for class action status by December 15, 2022. A pre-trial hearing is scheduled for February 2, 2023.

e) In November 2022, the Bank received a motion for approval of class action lawsuit, filed with the Center-Lod District Court; this motion involves the revision of interest rates in conformity with agreements for residential mortgages in the variable interest track based on bonds as an anchor (yield of Government bonds), alleging that this creates an unfair advantage for the Bank at the expense of borrowers, and that the condition stipulated in such agreements, whereby the change in anchor would only apply "on condition that the sum of these components shall not be less than 0%" constitutes, allegedly, a discriminatory condition in a uniform contract, as defined in Section 2 of the Uniform Contract Law, 1982. The motion does not indicate the alleged damage incurred.

Note 10 – Contingent Liabilities and Special Commitments – continued

4) Motions for class action status and a motion for approval of a derivative claim are pending against the Bank and subsidiaries thereof, as follows:

A) In September 2020, a motion for approval of a derivative lawsuit was filed with the Tel Aviv District Court by a shareholder on behalf of the Company for Economic and Cultural Enterprises for State Employees Ltd. ("Economic Enterprises Company") and on behalf of Bank Yahav for Government Employees Ltd. ("Bank Yahav") against Bank Yahav, the Bank, Board members of the Economic Enterprises Company and of Bank Yahav, including officers of the Bank. The plaintiff alleges that Bank Yahav and the Economic Enterprises Company incurred damage due to credit extended by Bank Yahav to the Bank, by way of deposits with the Bank, allegedly in violation of the Law and in breach of fiduciary and care duties of the defendants towards Bank Yahav and towards the Economic Enterprises Company. The claimed damage for Bank Yahav is over NIS 1 billion. Bank Yahav's response to the motion was filed on April 29, 2021 and the Bank's response was filed on May 3, 2021. The plaintiffs filed their responses to the motion on August 8, 2021. On December 26, 2021, a pre-trial hearing took place. After this hearing, it was stipulated that prior to setting a date for hearing the actual motion, this case would be referred to internal reminder on February 15, 2022, and should there by no open motions on said date, an evidentiary hearing would be scheduled. The case was assigned to a new judging forum, and on March 21, 2022 the parties were instructed to schedule dates for May or June 2022.

On March 23, 2022, the plaintiff filed a motion for document discovery. Concurrently, the plaintiff petitioned the Court to consider the time required for ruling on the motion, as part of scheduling the evidentiary hearing. On April 5, 2022, the Economic Enterprises Company filed a motion seeking to dismiss out of hand the motion for document discovery. On April 5, 2022, a ruling was handed down whereby, due to filing of the motion to dismiss, further hearing of the motion for document discovery shall take place after resolution of the motion to dismiss and in accordance there with. On April 27, the plaintiff filed its response to the motion to dismiss. On October 24, 2022, the Court ruled and rejected the motion to dismiss, instructing the defendants to file within 30 days their response to the motion for discovery and review of documents.

B) On December 12, 2016, a motion was filed with the Tel Aviv District Court, seeking a document discovery order pursuant to provisions of Section 198a of the Companies' Law, 1999 (hereinafter: "Motion for discovery"), asking for Union Bank ("Union Bank" / "Union") to be instructed to disclose documents with regard to credit extended by the Union to the customer and to others whose debt is personally guaranteed by the customer("the credit"). The motion alleges that members of the Board of Directors and of the Credit Committee of Union Bank have allowed the customer to accumulate enormous debt, amounting to NIS 270 million, allegedly without doing their duty to collect such debt when due. After various proceedings, on August 6, 2017 the Court approved a litigation agreement whereby proceedings in this case would be delayed, so as to allow the independent claim committee, which the Union Bank Board of Directors resolved to establish, to discuss this matter and for the Board of Directors to discuss the committee's recommendations. The independent committee has completed its work and made recommendations which are being considered by the Union Bank Board of Directors. In conformity with the litigation agreement between the parties, the content of the Board of Directors' resolution passed in said discussion was provided to the plaintiff's attorney. The parties have entered into a mediation proceeding which proved unsuccessful. Therefore, on September 25, 2019, a motion was filed for approval of a derivative lawsuit ("the motion") against 20 individual defendants who, allegedly, serve or have served as Board members of Union Bank. The motion concerns, allegedly, loans extended to the customer in 2004-2008, with no collateral or with collateral that only partially covers his debt, with negligent discretion exercised and apparent indifference to the outcome from such matters. It further alleged that Union Bank and officers took no action to recover Union Bank's money. The plaintiff seeks to charge the defendants for the damage they have allegedly caused by their negligence, amounting to NIS 125 million, taking into account the receipts to be collected in the customer's insolvency proceedings. Concurrently, the plaintiff also filed a motion to reject the motion for document discovery and review. On October 28, 2019, the Court ordered this motion to be rejected.

Note 10 – Contingent Liabilities and Special Commitments – continued

By consensus request by the parties, on December 12, 2019 the Court ordered Union Bank to be added as co-defendant to the motion for approval of class action status. On May 24, 2020, Union Bank filed their response to the motion for approval of a derivative lawsuit. On May 25, 2020, the Court accepted the motion by Union Bank and issued a temporary confidentiality injunction, pending a different ruling, with regard to confidentiality of Union Bank's response to the motion towards third parties.

On July 29, 2020, a motion was filed on behalf of Globes newspaper and others, to remove the temporary confidentiality injunction, thereby allowing unlimited review and disclosure of documents enclosed with the Union's response to the motion for approval of a derivative lawsuit. On August 10, 2020, a pre-trial hearing took place, after which the Court ruled, denying the motion for confidentiality, both for Court proceedings and for Court documents, allowing Globes to review these documents. On September 21, Union Bank filed a motion for right to appeal this ruling. On January 19, 2021, the Supreme Court rejected the motion for right to appeal filed by Union Bank and adopted the agreement whereby Union Bank would be given time to inform the Court that certain information constitutes trade secrets – with reference both to information regarding the customer's privacy and the independent committee's report, in conformity with the Court ruling dated February 1, 2021. Union must file such notice by February 16, 2021.

The Court approved the parties' consent to delay the hearing scheduled for January 13, 2021, in order to allow for negotiation between the Bank and insurers and other potential defendants, in conformity with the resolution dated December 31, 2020 by the Union Bank Board of Directors.

On February 18, 2021 the District Court accepted the motion filed by the Marker newspaper of HaAretz Newspaper Group Ltd. ("The Marker") and others filed a motion for injunction to review documents in the Court case and to join the proceeding with regard to the motion for confidentiality, allowing them to make claims with regard to "document redaction". On April 8, 2021, a hearing took place at which Union Bank provided an update to the Court on negotiations between the Union Bank and insurers and other potential defendants. At the end of this hearing, the Court ruled that by May 19, 2021, the defendants shall conclude the negotiations and inform the Court and the other party of the outcome thereof. The defendants should also consider including the plaintiff in the negotiations stage. In conformity with resolution, on May 19, 2021, Union Bank filed a notice whereby the negotiations have yet to be concluded and asking for a further 30-day extension.

The Court granted the motion by Union Bank and ordered the update to be filed no later than June 20, 2021. On June 22, 2021, the Court granted the motion by Union Bank seeking a similar extension. On July 21, 2021, Union Bank filed an update motion, whereby the negotiations between the parties were in the final stages and asked for a further extension to conclude negotiations by September 9, 2021; the plaintiff filed their response. On July 23, 2021, the Court partially granted Union Bank's motion and ordered a further update with regard to the negotiations to be filed no later than September 1, 2021. In conformity with the resolution, Union Bank has filed a update notice seeking the Court to allow Union Bank to make further progress on the settlement, and to file a further update notice with regard to negotiations by the parties, no later than November 3, 2021. On October 4, 2021, the Court allowed the motion by Union Bank to provide an extension for an update, and instructed the parties to agree on dates for evidentiary hearings. On October 6, 2021, the Court handed down its ruling, scheduling the evidentiary hearing on March 22, 2022. Should there be any development in the parties' settlement negotiations – the parties should inform the Court of such progress. On March 28, 2022, the Union Bank Board of Directors, convened in an un-tainted forum, resolved to approve signing by the Union Bank of a settlement agreement reached with the officers and insurers of the Board member and officer liability insurance policy; This agreement was filed for approval by the Court. On April 17, 2022, the Court ruled on the motion for approval of the settlement agreement; The Court allowed the plaintiff, even prior to discussing the approval of the settlement agreement, to consider whether they may join this agreement. Therefore, the parties were asked to file a joint notice, no later than May 2, 2022, stating whether or not they had reached agreement with regard to the arrangement and approval proceedings thereof. Should agreement not be reached, the plaintiff may file their comments on litigation aspects of the motion for approval, no later than May 9, 2022. In conformity with this resolution, Union Bank filed a notice stating that no agreement has been reached with the plaintiff with regard to the arrangement and approval proceedings thereof. In conformity with the Court ruling. on May 12, 2022. the plaintiff filed their response to litigation aspects of the motion for approval of the settlement agreement. On May 16, 2022, the Court ruled, allowing the Attorney General to submit their comments no later than June 6, 2022. The Court also clarified that a hearing would take place, in any case, prior to making the settlement agreement public. On July 18, 2022, the Attorney General filed their position, whereby the motion for approval of the settlement agreement should be denied, due to the way in which it has been achieved (with objection of the plaintiff). On September 29, 2022, the Court allowed the parties to comment on the position of the Attorney General. Accordingly, on November 6, 2022, Union Bank filed their comments on the position of the Attorney General, including a potential motion for the Court to approve the settlement agreement as filed. On November 21, 2022, the plaintiff filed their response to comments made by Union Bank and the officers on the position of the Attorney General.

Note 10 – Contingent Liabilities and Special Commitments – continued

C. Guarantees by maturity date

The Bank provides a wide range of guarantees and indemnification to its customers, to allow them to conduct a wide range of transactions. The maximum amount of potential future payments is determined based on the amount stated in the guarantee, without accounting for any potential refunds or collateral helped or pledged. Most guarantees at the Bank are rated by credit performance rating.

The following are guarantees issued by the Bank, by maturity date:

	As of September 30, 2022				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	2,484	663	77	108	3,332
Guarantees to home buyers	12,563	5,547	883	945	19,938
Guarantees and other commitments	5,630	1,432	573	4,806	12,441
Commitments to issue guarantees	2,563	5,119	477	-	8,159
Total guarantees	**23,240**	**12,761**	**2,010**	**5,859**	**43,870**

	As of September 30, 2021				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	2,277	760	117	172	3,326
Guarantees to home buyers	9,817	2,596	933	1,665	15,011
Guarantees and other commitments	4,366	1,028	176	5,206	10,776
Commitments to issue guarantees	2,946	5,085	2,191	-	10,222
Total guarantees	**19,406**	**9,469**	**3,417**	**7,043**	**39,335**

	As of December 31, 2021				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	2,177	527	111	506	3,321
Guarantees to home buyers	10,699	3,796	534	1,553	16,582
Guarantees and other commitments	4,137	1,278	435	4,721	10,571
Commitments to issue guarantees	2,480	5,691	1,142	38	9,351
Total guarantees	**19,493**	**11,292**	**2,222**	**6,818**	**39,825**

Note 11 – Derivative instruments and hedging activities

Reported amounts (NIS in millions)

A) Activity on consolidated basis

	September 30, 2022			September 30, 2021		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
	(Unaudited)			(Unaudited)		
1. Stated amounts of derivative instruments						
Interest contracts						
Forward contracts	591	3,040	3,631	1,028	-	1,028
Options written	-	-	-	-	34	34
Options purchased	-	-	-	-	74	74
Swaps[(1)]	33,212	28,554	61,766	34,422	21,423	55,845
Total[(2)]	**33,803**	**31,594**	**65,397**	**35,450**	**21,531**	**56,981**
Of which: Hedging derivatives[(3)]	**898**	**-**	**898**	**4,018**	**-**	**4,018**
Currency contracts						
Forward contracts [(4)(6)]	77,387	89,263	166,650	75,397	86,963	162,360
Options written	-	14,812	14,812	647	17,919	18,566
Options purchased	-	14,663	14,663	780	18,033	18,813
Swaps	987	845	1,832	1,499	1,248	2,747
Total	**78,374**	**119,583**	**197,957**	**78,323**	**124,163**	**202,486**
Of which: Hedging derivatives[(3)]	**-**	**-**	**-**	**-**	**-**	**-**
Contracts for shares						
Options written	50	44,176	44,226	506	33,560	34,066
Options purchased[(5)]	-	44,178	44,178	12	33,557	33,569
Swaps	-	653	653	-	810	810
Total	**50**	**89,007**	**89,057**	**518**	**67,927**	**68,445**
Commodities and other contracts						
Forward contracts	-	4	4	-	1	1
Options written	-	33	33	-	28	28
Options purchased	-	33	33	-	29	29
Total	**-**	**70**	**70**	**-**	**58**	**58**
Credit contracts						
Bank is guarantor	284	-	284	258	-	258
Bank is beneficiary	68	-	68	90	-	90
Total	**352**	**-**	**352**	**348**	**-**	**348**
Total stated amount	**112,579**	**240,254**	**352,833**	**114,639**	**213,679**	**328,318**

(1) Includes swaps where the banking corporation pays a fixed interest rate amounting to NIS 35,486 million (as of September 30, 2021: NIS 33,896 million)

(2) Of which: NIS/CPI swaps amounting to NIS 7,357 million (as of September 30, 2021: NIS 7,154 million)

(3) The Bank conducts fair value hedging and cash flow hedging through interest rate swap contracts and NIS/CPI swap contracts, respectively.

(4) Of which: NIS/CPI swaps amounting to NIS 8,950 million (as of September 30, 2021: NIS 12,128 million)

(5) Of which: Traded on the Stock Exchange, amounting to NIS 44,176 million (as of September 30, 2021: NIS 33,546 million)

(6) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

A) Activity on consolidated basis – continued

	December 31, 2021		
	Derivatives not held for trading	Derivatives held for trading	Total
			(Audited)
1. Stated amounts of derivative instruments			
Interest contracts			
Forward contracts	929	-	929
Options written	-	-	-
Options purchased	-	-	-
Swaps[1]	28,571	22,422	50,993
Total[2]	**29,500**	**22,422**	**51,922**
Of which: Hedging derivatives[3]	**3,921**	**-**	**3,921**
Currency contracts			
Forward contracts[4][6]	58,002	99,090	157,092
Options written	190	14,748	14,938
Options purchased	217	14,349	14,566
Swaps	1,352	1,191	2,543
Total	**59,761**	**129,378**	**189,139**
Of which: Hedging derivatives[3]	**-**	**-**	**-**
Contracts for shares			
Options written	473	[7]32,089	32,562
Options purchased[5]	18	[7]31,908	31,926
Swaps	-	791	791
Total	**491**	**64,788**	**65,279**
Commodities and other contracts			
Forward contracts	-	1	1
Options written	-	[7]28	28
Options purchased	-	[7]28	28
Total	**-**	**57**	**57**
Credit contracts			
Bank is guarantor	249	-	249
Bank is beneficiary	81	-	81
Total	**330**	**-**	**330**
Total stated amount	**90,082**	**216,645**	**306,727**

(1) Of which: seaps where the banking corporation pays a fixed interest, amounting to NIS 31,953 million.
(2) Of which: NIS/CPI swaps amounting to NIS 7,086 million.
(3) The Bank conducts fair value hedging and cash flow hedging through interest rate swap contracts and NIS/CPI swap contracts, respectively.
(4) Of which: Foreign currency spot swaps amounting to NIS 5,799 million.
(5) Of which: Traded on the stock exchange, amounting to NIS 31,907 million.
(6) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

A) Activity on consolidated basis – continued

	September 30, 2022 (unaudited)					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	1,386	720	2,106	1,161	648	1,809
Of which: Hedging derivatives	215	-	215	80	-	80
Currency contracts(1)	805	4,591	5,396	79	4,435	4,514
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	-	1,199	1,199	11	1,210	1,221
Commodities and other contracts	-	2	2	-	3	3
Credit contracts	2	-	2	12	-	12
Total assets / liabilities with respect to derivatives, gross(2)	**2,193**	**6,512**	**8,705**	**1,263**	**6,296**	**7,559**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**2,193**	**6,512**	**8,705**	**1,263**	**6,296**	**7,559**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	65	2,203	2,268	48	1,597	1,645

	September 30, 2021 (unaudited)					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	440	298	738	622	366	988
Of which: Hedging derivatives	37	-	37	170	-	170
Currency contracts(1)	256	1,235	1,491	205	1,136	1,341
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	-	544	544	12	284	296
Commodities and other contracts	-	2	2	-	2	2
Credit contracts	3	-	3	5	-	5
Total assets / liabilities with respect to derivatives, gross(2)	**699**	**2,079**	**2,778**	**844**	**1,788**	**2,632**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**699**	**2,079**	**2,778**	**844**	**1,788**	**2,632**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	89	544	633	82	570	652

(1) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

(2) Of which: Gross fair value of assets with respect to embedded derivative instruments amounting to NIS 10 million (as of September 30, 2021: NIS 9 million). Fair value of liabilities with respect to embedded derivative instruments amounting to NIS 10 million (as of September 30, 2021: NIS 6 million).

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

A) Activity on consolidated basis – continued

						December 31, 2021
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
2. Fair value of derivative instruments, gross						
Interest contracts	335	266	601	498	299	797
Of which: Hedging derivatives	34	-	34	149	-	149
Currency contracts(1)	160	2,183	2,343	214	2,478	2,692
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	-	713	713	-	259	259
Commodities and other contracts	-	-	-	-	-	-
Credit contracts	2	-	2	5	-	5
Total assets / liabilities with respect to derivatives, gross(2)	**497**	**3,162**	**3,659**	**717**	**3,036**	**3,753**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**497**	**3,162**	**3,659**	**717**	**3,036**	**3,753**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	88	834	922	57	1,032	1,089

(1) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

(2) Of which: Gross fair value of assets with respect to embedded derivatives amounting to NIS 7 million.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

B) Accounting hedges

1. Fair value hedge[1]

	For the three months ended September 30, 2022	For the nine months ended September 30, 2022
	Interest revenues (expenses)	
Interest contracts		
Hedged items	(78)	(239)
Hedging derivatives	77	235

	Balance as of September 30, 2022	
	Book value	Cumulative fair value adjustments that increased the book value
Securities available for sale	1,618	25

2. Cash flows hedges[2]

For the three months ended September 30, 2022		For the nine months ended September 30, 2022	
Amounts recognized in Other Comprehensive Income (loss) from derivatives	Interest revenues (expenses)	Amounts recognized in Other Comprehensive Income (loss) from derivatives	Interest revenues (expenses)
6	(17)	10	(68)

(1) Reflects amounts included in assessment of hedge effectiveness.

(2) Reflects amounts excluded from assessment of hedge effectiveness, for which the difference between the change in fair value and the periodic write-down is recognized on Other Comprehensive Income (Loss)

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

C) Credit risk on financial derivatives according to counter-party to the contract – Consolidated

	September 30, 2022					
	Stock exchanges	Banks	Dealers/ Brokers	Governments and central banks	Others	Total
Carrying amount of assets with respect to derivative instruments	**117**	**2,968**	**989**	**-**	**4,631**	**8,705**
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk with respect to financial instruments	-	(2,551)	-	-	(1,832)	[(1)](4,383)
Mitigation of credit risk with respect to cash collateral received	-	(355)	-	-	(751)	(1,106)
On-balance sheet credit risk with respect to derivative instruments	**117**	**62**	**989**	**-**	**2,048**	**3,216**
Net off-balance sheet credit risk with respect to derivative instruments[(2)]	80	659	490	-	2,360	3,589
Total credit risk on derivative instruments	**197**	**721**	**1,479**	**-**	**4,408**	**6,805**
Carrying amount of liabilities with respect to derivative instruments	**114**	**4,282**	**989**	**-**	**2,174**	**7,559**
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(2,551)	-	-	(1,832)	(4,383)
Pledged cash collateral	-	(1,731)	-	-	(231)	(1,962)
Net amount of liabilities with respect to derivative instruments	**114**	**-**	**989**	**-**	**111**	**1,214**

	September 30, 2021 (unaudited)					
	Stock exchanges	Banks	Dealers/ Brokers	Governments and central banks	Others	Total
Carrying amount of assets with respect to derivative instruments	**81**	**1,523**	**96**	**19**	**1,059**	**2,778**
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk with respect to financial instruments	-	(1,186)	-	-	(272)	[(1)](1,458)
Mitigation of credit risk with respect to cash c ollateral received	-	(337)	-	(19)	(110)	(466)
Net amount of assets with respect to derivative instruments	**81**	**-**	**96**	**-**	**677**	**854**
Off-balance sheet credit risk on derivative instruments[(2)]	345	1,158	160	-	1,208	2,871
Mitigation of off-balance sheet credit risk	-	(766)	-	-	(406)	(1,172)
Net off-balance sheet credit risk with respect to derivative instruments	**345**	**392**	**160**	**-**	**802**	**1,699**
Total credit risk on derivative instruments	**426**	**392**	**256**	**-**	**1,479**	**2,553**
Carrying amount of liabilities with respect to derivative instruments	**84**	**1,254**	**97**	**4**	**1,193**	**2,632**
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,186)	-	-	(272)	(1,458)
Pledged cash collateral	-	(68)	-	-	(195)	(263)
Net amount of liabilities with respect to derivative instruments	**84**	**-**	**97**	**4**	**726**	**911**

(1) This balance consists entirely of derivative instruments subject to offset agreements.

(2) The difference, if positive, between the total amounts with respect to derivative instruments (including with respect to derivative instruments with negative fair value) included under borrower indebtedness, as calculated for restrictions on indebtedness of a borrower, after mitigation of credit risk, and the on-balance sheet credit risk with respect to derivative instruments of the borrower.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

C) Credit risk on financial derivatives according to counter-party to the contract – Consolidated – continued

	As of December 31, 2021 (audited)					
	Stock exchanges	Banks	Dealers/ Brokers	Governments and central banks	Others	Total
Carrying amount of assets with respect to derivative instruments	**73**	**1,905**	**77**	**42**	**1,562**	**3,659**
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk with respect to financial instruments	-	(1,132)	-	-	(791)	(1)(1,923)
Mitigation of credit risk with respect to cash collateral received	-	(773)	-	(42)	(195)	(1,010)
Net amount of assets with respect to derivative instruments	**73**	**-**	**77**	**-**	**576**	**726**
Off-balance sheet credit risk on derivative instruments(2)	312	968	142	-	1,175	2,597
Mitigation of off-balance sheet credit risk	-	(661)	-	-	(372)	(1,033)
Net off-balance sheet credit risk with respect to derivative instruments	**312**	**307**	**142**	**-**	**803**	**1,564**
Total credit risk on derivative instruments	**385**	**307**	**219**	**-**	**1,379**	**2,290**
Carrying amount of liabilities with respect to derivative instruments	**74**	**1,150**	**77**	**-**	**2,452**	**3,753**
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,132)	-	-	(791)	(1,923)
Pledged cash collateral	-	(18)	-	-	(329)	(347)
Net amount of liabilities with respect to derivative instruments	**74**	**-**	**77**	**-**	**1,332**	**1,483**

(1) This balance consists entirely of derivative instruments subject to offset agreements.

(2) The difference, if positive, between the total amounts with respect to derivative instruments (including with respect to derivative instruments with negative fair value) included under borrower indebtedness, as calculated for restrictions on indebtedness of a borrower, before mitigation of credit risk, and the carrying amount of assets with respect to derivative instruments of the borrower.

In the three-month period ended September 30, 2022, the Bank recognized expenses from increase in provision for credit losses amounting to NIS 20 million. In the nine-month period ended September 30, 2022, the Bank recognized expenses from increase in provision for credit losses amounting to NIS 33 million (in the three-month period ended September 30, 2021, the Bank recognized expenses from increase in provision for credit losses amounting to NIS 2 million). In the nine-month period ended September 30, 2021, the Bank recognized income from decrease in provision for credit losses amounting to NIS 4 million.

D) Maturity dates – stated amounts: Balances at end of period – Consolidated

	September 30, 2022				
	Up to three months	3 months to 1 year	1-5 years	Over 5 years	Total
Interest contracts:					
NIS – CPI	966	2,533	2,987	871	7,357
Other	4,202	17,929	21,877	14,032	58,040
Currency contracts	128,965	64,910	3,934	148	197,957
Contracts for shares	87,971	860	226	-	89,057
Commodities and other contracts	10	309	103	-	422
Total	**222,114**	**86,541**	**29,127**	**15,051**	**352,833**
	September 30, 2021 (unaudited)				
Total	**193,497**	**85,078**	**34,591**	**15,152**	**328,318**
	As of December 31, 2021 (audited)				
Total	**173,645**	**89,761**	**30,396**	**12,925**	**306,727**

Note 12 – Operating Segments

A. Information regarding supervisory operating segments

On November 3, 2014, the Supervisor of Banks issued an update to the Public Reporting Directives concerning supervisory operating segments. According to the directive, the Bank is required to provide, on its financial statements, disclosure with regard to supervisory operating segments in conformity with a uniform, comparable layout specified by the Supervisor of Banks; attribution to supervisory operating segments is typically determined by the turnover volume for customers.

The financial information on the Report of the Board of Directors and Management is included based on definitions of supervisory segments.

In addition, the financial statements include – in Note 12 to the financial statements – disclosure with regard to "Operating segments in conformity with the management approach".

An operating segment in conformity with the management approach is a Bank component with operations which may derive revenues and incur expenses which meet the following criteria:

- Its operating results are regularly reviewed for the purpose of decision making about resource allocation and for performance evaluation.
- Separate financial information is available with regard to it.

In fact, there is a strong correlation between supervisory operating segments and "operating segments in conformity with the management approach" but nevertheless, there are some differences in customer attribution to segments and in decision making. Therefore, at this stage, the financial statements also include reporting of operating results in conformity with "the management approach", as noted above.

Supervisory operating segments

Supervisory operating segments include operating segments for individuals and operating segments for other than individuals (including business operating segments, institutional investors and financial management of the Bank).

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

Definitions of supervisory operating segments are as follows:

Households – individuals, other than private banking customers, as noted below.

Private banking – individuals who manage a financial asset portfolio in excess of NIS 3 million.

Small and micro businesses – businesses with turnover amounting up to NIS 50 million.

Medium businesses – businesses with turnover higher than NIS 50 million and lower than NIS 250 million.

Large businesses – businesses with turnover higher than NIS 250 million.

Institutional investors – Businesses which own pension funds, study funds, mutual funds, ETFs, insurance companies, stock exchange members, portfolio managers.

Financial management – includes trading operations, asset and liability management and non-banking investments.

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

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

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

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

The aforementioned operating segments are divided into operations in Israel and operations overseas; operations overseas are presented separately and are divided into operations of individuals and business operations only.

Note 12 – Operating Segments – continued
Supervisory operating segments
For the nine months ended September 30, 2022 (unaudited)
Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	6,967	1,087	31	8,054	2	1,348
Interest expenses from externals	-	843	-	843	257	281
Interest revenues, net from externals	6,967	244	31	7,211	(255)	1,067
Interest revenues, net – inter-segment	(5,144)	1,155	(5)	(3,989)	357	196
Total interest revenues (expenses), net	**1,823**	**1,399**	**26**	**3,222**	**102**	**1,263**
Total non-interest financing revenues	-	-	-	-	-	-
Total commissions and other revenues	110	546	142	656	17	434
Total non-interest revenues	**110**	**546**	**142**	**656**	**17**	**434**
Total revenues	**1,933**	**1,945**	**168**	**3,878**	**119**	**1,697**
Expenses (income) with respect to credit losses	88	52	-	140	1	56
Operating and other expenses to externals	687	1,766	56	2,453	13	920
Operating and other expenses – inter-segment	-	(42)	(4)	(42)	2	(24)
Total operating and other expenses	**687**	**1,724**	**52**	**2,411**	**15**	**896**
Pre-tax profit (loss)	1,158	169	116	1,327	103	745
Provision for taxes on profit	392	57	39	449	35	252
After-tax profit (loss)	**766**	**112**	**77**	**878**	**68**	**493**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	766	112	77	878	68	493
Net profit attributed to non-controlling interests	-	(66)	(3)	(66)	-	(6)
Net profit (loss) attributable to shareholders of the banking corporation	**766**	**46**	**74**	**812**	**68**	**487**
Average balance of assets	186,000	25,363	4,031	211,363	136	32,948
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	186,000	25,363	4,031	211,363	136	32,948
Balance of loans to the public at end of reported period	(3)193,630	27,076	4,891	220,706	140	35,664
Balance of non-accruing debts	1,567	73	-	1,640	-	780
Balance of debt in arrears 90 days or longer	-	35	-	35	-	68
Average balance of liabilities	-	125,464	4,031	125,464	22,827	54,301
Of which: Average balance of deposits from the public	-	121,433	-	121,433	22,827	54,301
Balance of deposits from the public at end of reported period	-	124,530	-	124,530	24,985	57,378
Average balance of risk assets(1)	106,273	23,527	4,225	129,800	68	29,928
Balance of risk assets at end of reported period(1)	112,736	22,320	4,218	135,056	61	32,439
Average balance of assets under management(2)	9,436	57,918	-	67,354	5,094	39,624
Breakdown of interest revenues, net:						
Margin from credit granting operations	1,753	751	26	2,504	1	980
Margin from activities of receiving deposits	-	643	-	643	98	250
Other	70	5	-	75	3	33
Total interest revenues, net	**1,823**	**1,399**	**26**	**3,222**	**102**	**1,263**

(1) Risk assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.
(3) Include Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 14,181 million.

						Operations overseas	Total
	Medium businesses	**Large businesses**	**Institutional investors**	**Financial management segment**	**Total activity in Israel**	**Total – operations overseas**	
	385	679	41	495	11,004	314	11,318
	86	328	665	1,532	3,992	38	4,030
	299	351	(624)	(1,037)	7,012	276	7,288
	8	203	786	2,509	70	(70)	-
	307	**554**	**162**	**1,472**	**7,082**	**206**	**7,288**
	(1)	1	-	473	473	83	556
	77	145	38	718	2,085	20	2,105
	76	**146**	**38**	**1,191**	**2,558**	**103**	**2,661**
	383	**700**	**200**	**2,663**	**9,640**	**309**	**9,949**
	53	77	1	-	328	13	341
	171	244	120	383	4,304	55	4,359
	19	27	16	2	-	-	-
	190	**271**	**136**	**385**	**4,304**	**55**	**4,359**
	140	352	63	2,278	5,008	241	5,249
	47	119	21	771	1,694	82	1,776
	93	**233**	**42**	**1,507**	**3,314**	**159**	**3,473**
	-	-	-	4	4	-	4
	93	233	42	1,511	3,318	159	3,477
	-	-	-	(20)	(92)	-	(92)
	93	**233**	**42**	**1,491**	**3,226**	**159**	**3,385**
	11,279	26,382	1,933	116,356	400,397	17,145	417,542
	-	-	-	109	109	-	109
	11,279	26,382	1,933	-	284,041	4,974	289,015
	12,357	27,792	3,778	-	300,437	6,471	306,908
	268	176	-	-	2,864	46	2,910
	-	-	-	-	103	31	134
	14,196	36,852	63,534	60,162	377,336	15,468	392,804
	14,196	36,852	63,534	-	313,143	4,938	318,081
	14,156	38,024	79,194	-	338,267	7,072	345,339
	13,487	36,445	2,265	12,974	224,967	6,552	231,519
	14,331	39,630	3,195	12,771	237,483	7,799	245,282
	7,099	30,697	378,180	3,094	531,142	-	531,142
-							
	247	435	21	-	4,188	167	4,355
	54	90	130	-	1,265	4	1,269
	6	29	11	1,472	1,629	35	1,664
	307	**554**	**162**	**1,472**	**7,082**	**206**	**7,288**

Note 12 – Operating Segments – continued
Supervisory operating segments
For the nine months ended September 30, 2021 (unaudited)
Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	5,009	908	27	5,917	2	1,062
Interest expenses from externals	1	554	-	555	157	124
Interest revenues, net from externals	5,008	354	27	5,362	(155)	938
Interest revenues, net – inter-segment	(3,338)	726	(4)	(2,612)	217	79
Total interest revenues, net	**1,670**	**1,080**	**23**	**2,750**	**62**	**1,017**
Total non-interest financing revenues	-	2	-	2	-	4
Total commissions and other revenues	105	504	125	609	18	394
Total non-interest revenues	**105**	**506**	**125**	**611**	**18**	**398**
Total revenues	**1,775**	**1,586**	**148**	**3,361**	**80**	**1,415**
Expenses with respect to credit losses	(92)	(33)	-	(125)	(1)	(48)
Operating and other expenses to externals	625	1,633	52	2,258	21	832
Operating and other expenses – inter-segment	-	(42)	(4)	(42)	2	(24)
Total operating and other expenses	**625**	**1,591**	**48**	**2,216**	**23**	**808**
Pre-tax profit (loss)	1,242	28	100	1,270	58	655
Provision (reduced provision) for taxes on profit	423	10	34	433	20	223
After-tax profit (loss)	**819**	**18**	**66**	**837**	**38**	**432**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	819	18	66	837	38	432
Net profit attributed to non-controlling interests	-	(36)	(3)	(36)	-	(4)
Net profit (loss) attributable to shareholders of the banking corporation	**819**	**(18)**	**63**	**801**	**38**	**428**
Average balance of assets	162,883	24,155	3,185	187,038	226	30,160
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	162,883	24,155	3,185	187,038	226	30,160
Balance of loans to the public at end of reported period	(3)169,763	25,725	4,284	195,488	142	31,229
Balance of non-accruing debts	46	86	-	132	-	782
Balance of debt in arrears 90 days or longer	1,350	26	-	1,376	-	38
Average balance of liabilities	-	120,986	3,185	120,986	21,028	46,468
Of which: Average balance of deposits from the public	-	117,801	-	117,801	21,028	46,468
Balance of deposits from the public at end of reported period	-	118,433	-	118,433	21,472	49,341
Average balance of risk assets(1)	94,595	22,695	4,145	117,290	103	27,537
Balance of risk assets at end of reported period(1)	98,778	23,252	4,206	122,030	45	27,980
Average balance of assets under management(2)	8,590	52,761	-	61,351	6,712	37,614
Breakdown of interest revenues, net:						
Margin from credit granting operations	1,583	716	23	2,299	1	883
Margin from activities of receiving deposits	-	339	-	339	56	89
Other	87	25	-	112	5	45
Total interest revenues, net	**1,670**	**1,080**	**23**	**2,750**	**62**	**1,017**

(1) Risk assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.
(3) Include Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 16,801 million.

	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Operations overseas Total – operations overseas	Total
	283	456	32	184	7,936	157	8,093
	47	143	281	1,054	2,361	5	2,366
	236	313	(249)	(870)	5,575	152	5,727
	17	120	334	1,844	(1)	1	-
	253	**433**	**85**	**974**	**5,574**	**153**	**5,727**
	(1)	2	4	302	313	5	318
	85	120	34	345	1,605	33	1,638
	84	**122**	**38**	**647**	**1,918**	**38**	**1,956**
	337	**555**	**123**	**1,621**	**7,492**	**191**	**7,683**
	8	(64)	(27)	-	(257)	(6)	(263)
	151	241	93	359	3,955	58	4,013
	19	27	16	2	-	-	-
	170	**268**	**109**	**361**	**3,955**	**58**	**4,013**
	159	351	41	1,260	3,794	139	3,933
	54	120	14	429	1,293	47	1,340
	105	**231**	**27**	**831**	**2,501**	**92**	**2,593**
	-	-	-	(10)	(10)	-	(10)
	105	231	27	821	2,491	92	2,583
	-	-	-	(34)	(74)	-	(74)
	105	**231**	**27**	**787**	**2,417**	**92**	**2,509**
	9,426	20,016	1,724	113,606	362,196	16,310	378,506
	-	-	-	22	22	-	22
	9,426	20,004	1,724	-	248,578	3,433	252,011
	9,539	19,625	1,786	-	257,809	4,096	261,905
	208	231	-	-	1,353	-	1,353
	-	-	-	-	1,414	-	1,414
	15,565	42,070	51,974	43,181	341,272	15,474	356,746
	15,565	35,407	51,974	-	288,243	4,058	292,301
	14,396	35,558	60,730	-	299,930	3,991	303,921
	11,675	29,872	2,511	11,885	200,873	4,853	205,726
	11,388	31,355	2,645	11,059	206,502	5,204	211,706
	6,267	26,698	362,003	3,334	503,979	-	503,979
-							
	212	366	19	-	3,780	47	3,827
	32	36	46	-	598	3	601
	9	31	20	974	1,196	103	1,299
	253	**433**	**85**	**974**	**5,574**	**153**	**5,727**

Note 12 – Operating Segments – continued
Supervisory operating segments
For the three months ended September 30, 2022 (unaudited)
Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	2,353	309	11	2,662	1	524
Interest expenses from externals	-	303	-	303	99	125
Interest revenues, net from externals	2,353	6	11	2,359	(98)	399
Interest revenues, net – inter-segment	(1,742)	597	(2)	(1,145)	147	97
Total interest revenues, net	**611**	**603**	**9**	**1,214**	**49**	**496**
Total non-interest financing revenues	-	-	-	-	-	-
Total commissions and other revenues	43	173	54	216	3	150
Total non-interest revenues	**43**	**173**	**54**	**216**	**3**	**150**
Total revenues	**654**	**776**	**63**	**1,430**	**52**	**646**
Expenses (income) with respect to credit losses	36	20	-	56	1	31
Operating and other expenses to externals	244	602	18	846	4	321
Operating and other expenses – inter-segment	-	-	-	-	-	-
Total operating and other expenses	**244**	**602**	**18**	**846**	**4**	**321**
Pre-tax profit (loss)	374	154	45	528	47	294
Provision (reduced provision) for taxes on profit	128	53	15	181	16	101
After-tax profit	**246**	**101**	**30**	**347**	**31**	**193**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	246	101	30	347	31	193
Net profit attributed to non-controlling interests	-	(34)	(1)	(34)	-	(2)
Net profit (loss) attributable to shareholders of the banking corporation	**246**	**67**	**29**	**313**	**31**	**191**
Average balance of assets	192,862	25,563	3,697	218,425	162	34,406
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	192,862	25,563	3,697	218,425	162	34,406
Balance of loans to the public at end of reported period	(3)193,630	27,076	4,891	220,706	140	35,664
Balance of non-accruing debts	1,567	73	-	1,640	-	780
Balance of debt in arrears 90 days or longer	-	35	-	35	-	68
Average balance of liabilities	-	127,610	3,697	127,610	23,935	56,413
Of which: Average balance of deposits from the public	-	123,913	-	123,913	23,935	56,413
Balance of deposits from the public at end of reported period	-	124,530	-	124,530	24,985	57,378
Average balance of risk assets(1)	109,765	23,475	4,201	133,240	66	31,892
Balance of risk assets at end of reported period(1)	112,736	22,320	4,218	135,056	61	32,439
Average balance of assets under management(2)	12,966	57,012	-	69,978	4,222	39,350
Breakdown of interest revenues, net:						
Margin from credit granting operations	593	257	9	850	-	340
Margin from activities of receiving deposits	-	346	-	346	48	145
Other	18	-	-	18	1	11
Total interest revenues, net	**611**	**603**	**9**	**1,214**	**49**	**496**

(1) Risk assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.
(3) Include Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 14,181 million.

						Operations overseas	Total
	Medium businesses	**Large businesses**	**Institutional investors**	**Financial management segment**	**Total activity in Israel**	**Total – operations overseas**	
	150	297	15	401	4,050	163	4,213
	38	161	338	430	1,494	28	1,522
	112	136	(323)	(29)	2,556	135	2,691
	(2)	77	401	479	54	(54)	-
	110	**213**	**78**	**450**	**2,610**	**81**	**2,691**
	-	-	-	194	194	69	263
	26	45	12	124	576	3	579
	26	**45**	**12**	**318**	**770**	**72**	**842**
	136	**258**	**90**	**768**	**3,380**	**153**	**3,533**
	28	41	2	-	159	(4)	155
	67	92	50	130	1,510	19	1,529
	-	-	-	-	-	-	-
	67	**92**	**50**	**130**	**1,510**	**19**	**1,529**
	41	125	38	638	1,711	138	1,849
	14	43	13	220	588	47	635
	27	**82**	**25**	**418**	**1,123**	**91**	**1,214**
	-	-	-	2	2	-	2
	27	82	25	420	1,125	91	1,216
	-	-	-	(2)	(38)	-	(38)
	27	**82**	**25**	**418**	**1,087**	**91**	**1,178**
	11,765	28,814	1,785	128,094	423,451	18,773	442,224
	-	-	-	18	18	-	18
	11,765	28,814	1,785	-	295,357	5,584	300,941
	12,357	27,792	3,778	-	300,437	6,471	306,908
	268	176	-	-	2,864	46	2,910
	-	-	-	-	103	31	134
	13,712	37,812	67,310	51,628	378,420	16,506	394,926
	13,712	37,812	67,310	-	323,095	5,282	328,377
	14,156	38,024	79,194	-	338,267	7,072	345,339
	13,716	38,135	3,053	12,904	233,006	7,526	240,532
	14,331	39,630	3,195	12,771	237,483	7,799	245,282
	8,209	28,813	372,210	2,998	525,780	-	525,780
-							
	81	159	7	-	1,437	68	1,505
	28	44	71	-	682	-	682
	1	10	-	450	491	13	504
	110	**213**	**78**	**450**	**2,610**	**81**	**2,691**

Note 12 – Operating Segments – continued
Supervisory operating segments
For the three months ended September 30, 2021 (unaudited)
Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	1,769	288	9	2,057	-	364
Interest expenses from externals	-	194	-	194	55	48
Interest revenues, net from externals	1,769	94	9	1,863	(55)	316
Interest revenues, net – inter-segment	(1,189)	266	(1)	(923)	75	37
Total interest revenues (expenses), net	**580**	**360**	**8**	**940**	**20**	**353**
Total non-interest financing revenues	-	2	-	2	-	1
Total commissions and other revenues	33	165	57	198	6	135
Total non-interest revenues	**33**	**167**	**57**	**200**	**6**	**136**
Total revenues	**613**	**527**	**65**	**1,140**	**26**	**489**
Expenses with respect to credit losses	(10)	(2)	-	(12)	3	(11)
Operating and other expenses to externals	193	522	16	715	7	297
Operating and other expenses – inter-segment	-	-	-	-	-	-
Total operating and other expenses	**193**	**522**	**16**	**715**	**7**	**297**
Pre-tax profit	430	7	49	437	16	203
Provision for taxes on profit	145	2	17	147	5	68
After-tax profit	**285**	**5**	**32**	**290**	**11**	**135**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	285	5	32	290	11	135
Net profit attributed to non-controlling interests	-	(13)	(3)	(13)	-	(2)
Net profit attributable to shareholders of the banking corporation	**285**	**(8)**	**29**	**277**	**11**	**133**
Average balance of assets	167,643	24,523	3,203	192,166	148	31,170
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	167,643	24,523	3,203	192,166	148	31,170
Balance of loans to the public at end of reported period	(3)169,763	25,725	4,284	195,488	142	31,229
Balance of non-accruing debts	46	86	-	132	-	782
Balance of debt in arrears 90 days or longer	1,350	26	-	1,376	-	38
Average balance of liabilities	-	123,540	3,203	123,540	21,426	47,678
Of which: Average balance of deposits from the public	-	120,337	-	120,337	21,426	47,678
Balance of deposits from the public at end of reported period	-	118,433	-	118,433	21,472	49,341
Average balance of risk assets(1)	97,282	22,969	4,206	120,251	61	27,359
Balance of risk assets at end of reported period(1)	98,778	23,252	4,206	122,030	45	27,980
Average balance of assets under management(2)	8,378	53,833	-	62,211	6,582	35,746
Breakdown of interest revenues, net:						
Margin from credit granting operations	548	239	8	787	-	306
Margin from activities of receiving deposits	-	112	-	112	19	29
Other	32	9	-	41	1	18
Total interest revenues, net	**580**	**360**	**8**	**940**	**20**	**353**

(1) Risk assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.
(3) Include Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 16,801 million.

	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Operations overseas Total – operations overseas	Total
	92	141	15	77	2,746	54	2,800
	15	44	100	341	797	2	799
	77	97	(85)	(264)	1,949	52	2,001
	2	40	113	655	(1)	1	-
	79	**137**	**28**	**391**	**1,948**	**53**	**2,001**
	(1)	1	2	56	61	2	63
	27	43	7	124	540	11	551
	26	**44**	**9**	**180**	**601**	**13**	**614**
	105	**181**	**37**	**571**	**2,549**	**66**	**2,615**
	(12)	(7)	(1)	-	(40)	4	(36)
	62	77	32	127	1,317	22	1,339
	-	-	-	-	-	-	-
	62	**77**	**32**	**127**	**1,317**	**22**	**1,339**
	55	111	6	444	1,272	40	1,312
	19	37	2	151	429	13	442
	36	**74**	**4**	**293**	**843**	**27**	**870**
	-	-	-	1	1	-	1
	36	74	4	294	844	27	871
	-	-	-	(11)	(26)	-	(26)
	36	**74**	**4**	**283**	**818**	**27**	**845**
	9,024	16,232	1,764	134,627	385,131	15,418	400,549
	-	-	-	18	18	-	18
	9,024	16,196	1,764	-	250,468	3,531	253,999
	9,539	19,625	1,786	-	257,809	4,096	261,905
	208	231	-	-	1,353	-	1,353
	-	-	-	-	1,414	-	1,414
	14,493	47,236	57,576	50,699	362,648	14,410	377,058
	14,493	27,247	57,576	-	288,757	3,790	292,547
	14,396	35,558	60,730	-	299,930	3,991	303,921
	11,809	30,484	2,506	11,878	204,348	4,895	209,243
	11,388	31,355	2,645	11,059	206,502	5,204	211,706
	5,331	29,032	370,793	3,478	513,173	-	513,173
-							
	67	117	7	-	1,284	19	1,303
	10	13	15	-	198	-	198
	2	7	6	391	466	34	500
	79	**137**	**28**	**391**	**1,948**	**53**	**2,001**

Note 12 – Operating Segments – continued
Supervisory operating segments
For the year ended December 31, 2021 (audited)
Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	6,456	1,184	36	7,640	2	1,415
Interest expenses from externals	1	696	-	697	192	153
Interest revenues, net from externals	6,455	488	36	6,943	(190)	1,262
Interest revenues, net – inter-segment	(4,192)	948	(5)	(3,244)	271	101
Total interest revenues (expenses), net	**2,263**	**1,436**	**31**	**3,699**	**81**	**1,363**
Total non-interest financing revenues	-	1	-	1	-	1
Total commissions and other revenues	143	699	179	842	23	543
Total non-interest revenues	**143**	**700**	**179**	**843**	**23**	**544**
Total revenues	**2,406**	**2,136**	**210**	**4,542**	**104**	**1,907**
Expenses with respect to credit losses	(133)	(55)	-	(188)	(1)	(71)
Operating and other expenses to externals	835	2,247	70	3,082	26	1,164
Operating and other expenses – inter-segment	-	(42)	(4)	(42)	2	(24)
Total operating and other expenses	**835**	**2,205**	**66**	**3,040**	**28**	**1,140**
Pre-tax profit (loss)	1,704	(14)	144	1,690	77	838
Provision for taxes on profit	586	(5)	50	581	26	288
After-tax profit (loss)	**1,118**	**(9)**	**94**	**1,109**	**51**	**550**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	1,118	(9)	94	1,109	51	550
Net profit attributed to non-controlling interests	-	(52)	(5)	(52)	-	(6)
Net profit (loss) attributable to shareholders of the banking corporation	**1,118**	**(61)**	**89**	**1,057**	**51**	**544**
Average balance of assets	165,384	24,262	3,265	189,646	203	30,459
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	165,384	24,262	3,265	189,646	203	30,459
Balance of loans to the public at end of reported period	(3)175,626	26,184	4,631	201,810	141	30,744
Balance of non-accruing debts	36	84	-	120	4	704
Balance of debt in arrears 90 days or longer	1,264	25	-	1,289	1	26
Average balance of liabilities	-	120,539	3,265	120,539	20,947	47,118
Of which: Average balance of deposits from the public	-	117,274	-	117,274	20,947	47,118
Balance of deposits from the public at end of reported period	-	118,051	-	118,051	21,664	50,247
Average balance of risk assets(1)	96,065	22,835	4,133	118,900	98	27,504
Balance of risk assets at end of reported period(1)	101,946	23,394	4,085	125,340	75	27,368
Average balance of assets under management(2)	8,486	54,158	-	62,644	6,718	38,589
Breakdown of interest revenues, net:						
Margin from credit granting operations	2,152	958	30	3,110	1	1,182
Margin from activities of receiving deposits	-	450	-	450	72	124
Other	111	28	1	139	8	57
Total interest revenues, net	**2,263**	**1,436**	**31**	**3,699**	**81**	**1,363**

(1) Risk assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.
(3) Include Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 16,052 million.

						Operations overseas	Total
	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
	382	611	39	248	10,337	220	10,557
	58	187	340	1,238	2,865	7	2,872
	324	424	(301)	(990)	7,472	213	7,685
	13	161	410	2,293	5	(5)	-
	337	**585**	**109**	**1,303**	**7,477**	**208**	**7,685**
	(2)	5	3	385	393	8	401
	114	160	51	467	2,200	34	2,234
	112	**165**	**54**	**852**	**2,593**	**42**	**2,635**
	449	**750**	**163**	**2,155**	**10,070**	**250**	**10,320**
	22	(7)	(32)	(1)	(278)	-	(278)
	220	352	152	503	5,499	69	5,568
	19	27	16	2	-	-	-
	239	**379**	**168**	**505**	**5,499**	**69**	**5,568**
	188	378	27	1,651	4,849	181	5,030
	65	130	9	569	1,668	62	1,730
	123	**248**	**18**	**1,082**	**3,181**	**119**	**3,300**
	-	-	-	(10)	(10)	-	(10)
	123	248	18	1,072	3,171	119	3,290
	-	-	-	(44)	(102)	-	(102)
	123	**248**	**18**	**1,028**	**3,069**	**119**	**3,188**
	8,958	20,838	1,777	103,668	355,549	15,974	371,523
	-	-	-	22	22	-	22
	8,958	20,838	1,777	-	251,881	3,552	255,433
	10,066	23,574	2,960	-	269,295	4,236	273,531
	187	336	-	1	1,352	-	1,352
	-	-	-	-	1,316	-	1,316
	15,525	36,129	53,355	41,790	335,403	15,090	350,493
	15,525	36,129	53,355	-	290,348	4,067	294,415
	15,742	36,669	61,365	-	303,738	4,186	307,924
	11,927	30,618	2,295	11,971	203,313	5,010	208,323
	12,936	33,606	1,429	12,316	213,070	5,640	218,710
	6,410	27,498	368,943	3,380	514,182	-	514,182
-							
	285	490	26	-	5,094	121	5,215
	42	53	62	-	803	8	811
	10	42	21	1,303	1,580	79	1,659
	337	**585**	**109**	**1,303**	**7,477**	**208**	**7,685**

Note 12 – Operating Segments – continued

B. Operating segments in conformity with the management approach

The Bank manages its operations in six major operating segments, which are distinguished by customer characteristics and type of banking services required, as well as by the organizational unit responsible for servicing each segment. Operating segment definition is based on the Bank's organizational structure, as described below. The operations in the six operating segments include all areas of banking operations including classic banking activity (loans and deposits), securities activity for customers and activity in derivatives, as well as custom banking services designed for needs in specific fields. Operations of the various segments are conducted through Bank branches, the trading room, the business centers, headquarters units of the Bank and Bank subsidiaries in Israel and overseas.

For more information about measurement of Bank operations in conformity with the supervisory segments approach, as specified by the Supervisor of Banks, see information about supervisory operating segments above.

Below are the Bank's operating segments in conformity with the management approach:

Household segment – under responsibility of the Retail Division. This segment includes small household customers and mortgage operations. The division provides appropriate banking services and financial products to segment customers, including in the field of mortgages.

Small business segment – under responsibility of the Retail Division, which also serves micro business customers (businesses with annual turnover below NIS 10 million) and small businesses (with annual turnover from NIS 10 million to under NIS 50 million). Occasionally, due to growth in activity of a customer served by the Retail Division, the customer may exceed the aforementioned criteria. Banking services and financial products, including commercial banking services as required, are provided to segment customers.

Private banking – The Retail Division is responsible for private banking. Segment customers are primarily individual customers with liquid assets (primarily short-term deposits and security investments) over NIS 1 million. Customers of this segment have high financial wealth, to whom the Bank offers access to unique products and services in capital market activity, advisory service and investment management.

Commercial banking – customers of this segment are private and public companies of medium size (middle market) and medium level of indebtedness, and are served by the Business Banking Division, primarily by the Business sector, which operates via three business centers located throughout Israel. As from 2019, new business customers with annual turnover from NIS 50 million to under NIS 250 million are assigned to the Business sector. Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

Business banking – the Major Corporations sector in the Corporate Division is responsible for the Business Banking segment, which is the focal point for handling the largest business customers. As from 2019, businesses with annual turnover above NIS 250 million are assigned to the Corporate Sector. This segment provides a range of banking and financial services to the largest companies in the economy, in an array of industries, at relatively high levels of indebtedness. Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

Financial management – operations in this segment include, inter alia, management of assets and liabilities, management of exposure to market risk, management of the nostro portfolio and liquidity management as well as trading room operations in the financial and capital markets. The Finance Division is responsible for this segment, except for investments in non-banking corporations, for which the Corporate Division is responsible.

The major products and guidelines for attribution of balances, revenues and expenses to customers in the system to operating segments in conformity with the management approach, are similar to products and guidelines according to the supervisory operating segment approach.

Note 12 – Operating Segments – continued
Operating segments in conformity with the management approach
For the nine months ended September 30, 2022 (unaudited)
Reported amounts (NIS in millions)

	House-holds – other	House-holds – mortgages	Private banking	Small busi-nesses	Com-mercial banking	Business banking	Financial mana-gement	Total conso-lidated
Interest revenues, net:								
From externals	393	6,522	(32)	645	218	601	(1,059)	7,288
Inter-segment	1,345	(4,985)	69	344	45	551	2,631	-
Total interest revenues, net	**1,738**	**1,537**	**37**	**989**	**263**	**1,152**	**1,572**	**7,288**
Non-interest financing revenues	50	-	1	2	1	88	414	556
Commissions and other revenues	561	112	14	361	66	280	711	2,105
Total revenues	**2,349**	**1,649**	**52**	**1,352**	**330**	**1,520**	**2,697**	**9,949**
Expenses (income) with respect to credit losses	50	88	3	55	48	97	-	341
Operating and other expenses	1,788	662	20	777	224	489	399	4,359
Pre-tax profit	511	899	29	520	58	934	2,298	5,249
Provision for taxes on profit	173	304	10	176	20	316	777	1,776
After-tax profit	**338**	**595**	**19**	**344**	**38**	**618**	**1,521**	**3,473**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	4	4
Net profit (loss):								
Before attribution to non-controlling interests	338	595	19	344	38	618	1,525	3,477
Attributable to non-controlling interests	(66)	-	-	(6)	-	-	(20)	(92)
Net profit attributable to shareholders of the Bank	**272**	**595**	**19**	**338**	**38**	**618**	**1,505**	**3,385**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)(1)	14.3%	8.0%	-	24.7%	4.9%	14.5%	-	20.6%
Average balance of loans to the public, net	33,638	176,106	448	22,465	9,197	44,930	-	286,784
Average balance of deposits from the public	143,565	-	6,919	46,448	14,758	89,620	16,771	318,081
Average balance of assets	34,278	176,303	323	22,566	9,284	57,483	117,305	417,542
Average balance of risk assets(2)	30,139	100,036	119	18,614	10,456	57,119	15,036	231,519

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.
(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 12 – Operating Segments – continued
Operating segments in conformity with the management approach
For the nine months ended September 30, 2021 (unaudited)
Reported amounts (NIS in millions)

	House-holds – other	House-holds – mortgages	Private banking	Small busi-nesses	Com-mercial banking	Business banking	Financial mana-gement	Total conso-lidated
Interest revenues, net:								
From externals	530	4,640	(22)	674	201	718	(1,014)	5,727
Inter-segment	834	(3,209)	53	162	15	104	2,041	-
Total interest revenues, net	**1,364**	**1,431**	**31**	**836**	**216**	**822**	**1,027**	**5,727**
Non-interest financing revenues	58	-	1	6	(1)	45	209	318
Commissions and other revenues	516	109	18	331	62	238	364	1,638
Total revenues	**1,938**	**1,540**	**50**	**1,173**	**277**	**1,105**	**1,600**	**7,683**
Expenses with respect to credit losses	(52)	(89)	(4)	(66)	13	(61)	(4)	(263)
Operating and other expenses	1,646	599	31	700	201	460	376	4,013
Pre-tax profit (loss)	344	1,030	23	539	63	706	1,228	3,933
Provision (reduced provision) for taxes on profit	117	351	8	184	21	241	418	1,340
After-tax profit (loss)	**227**	**679**	**15**	**355**	**42**	**465**	**810**	**2,593**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	(10)	(10)
Net profit (loss):								
Before attribution to non-controlling interests	227	679	15	355	42	465	800	2,583
Attributable to non-controlling interests	(36)	-	-	(4)	-	-	(34)	(74)
Net profit (loss) attributable to shareholders of the Bank	**191**	**679**	**15**	**351**	**42**	**465**	**766**	**2,509**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)[(1)]	10.5%	9.9%	-	23.7%	6.4%	12.7%	-	16.8%
Average balance of loans to the public, net	31,398	155,069	412	22,507	7,512	32,943	-	249,841
Average balance of deposits from the public	134,938	-	8,037	41,976	13,526	78,431	15,393	292,301
Average balance of assets	32,507	156,301	859	22,982	7,706	45,886	112,265	378,506
Average balance of risk assets[(2)]	27,951	89,667	270	19,345	8,760	47,472	12,261	205,726

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.
(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 12 – Operating Segments – continued

Operating segments in conformity with the management approach

For the three months ended September 30, 2022 (unaudited)

Reported amounts (NIS in millions)

	House-holds – other	House-holds – mortgages	Private banking	Small busi-nesses	Com-mercial banking	Business banking	Financial mana-gement	Total conso-lidated
Interest revenues, net:								
From externals	138	2,176	(16)	225	76	22	70	2,691
Inter-segment	592	(1,667)	32	157	23	428	435	-
Total interest revenues (expenses), net	**730**	**509**	**16**	**382**	**99**	**450**	**505**	**2,691**
Non-interest financing revenues	10	-	1	-	1	46	205	263
Commissions and other revenues	196	41	4	110	20	94	114	579
Total revenues	**936**	**550**	**21**	**492**	**120**	**590**	**824**	**3,533**
Expenses (income) with respect to credit losses	19	36	2	26	20	52	-	155
Operating and other expenses	625	234	6	276	80	173	135	1,529
Pre-tax profit (loss)	292	280	13	190	20	365	689	1,849
Provision (reduced provision) for taxes on profit	100	96	4	65	7	125	238	635
After-tax profit (loss)	**192**	**184**	**9**	**125**	**13**	**240**	**451**	**1,214**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	2	2
Net profit (loss):								
Before attribution to non-controlling interests	192	184	9	125	13	240	453	1,216
Attributable to non-controlling interests	(34)	-	-	(2)	-	-	(2)	(38)
Net profit (loss) attributable to shareholders of the Bank	**158**	**184**	**9**	**123**	**13**	**240**	**451**	**1,178**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)[(1)]	24.4%	7.2%	-	27.0%	4.7%	16.1%	-	20.8%

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.

Note 12 – Operating Segments – continued

Operating segments in conformity with the management approach

For the three months ended September 30, 2021 (unaudited)

Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues, net:								
From externals	172	1,635	(8)	225	67	239	(329)	2,001
Inter-segment	288	(1,143)	17	61	7	36	734	-
Total interest revenues (expenses), net	**460**	**492**	**9**	**286**	**74**	**275**	**405**	**2,001**
Non-interest financing revenues	22	-	-	6	(1)	20	16	63
Commissions and other revenues	169	35	29	88	24	81	125	551
Total revenues	**651**	**527**	**38**	**380**	**97**	**376**	**546**	**2,615**
Expenses (income) with respect to credit losses	(9)	(10)	-	(25)	6	5	(3)	(36)
Operating and other expenses	539	185	10	257	73	142	133	1,339
Pre-tax profit	121	352	28	148	18	229	416	1,312
Provision for taxes on profit	41	119	9	50	6	77	140	442
After-tax profit	**80**	**233**	**19**	**98**	**12**	**152**	**276**	**870**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	1	1
Net profit:								
Before attribution to non-controlling interests	80	233	19	98	12	152	277	871
Attributable to non-controlling interests	(13)	-	-	(2)	-	-	(11)	(26)
Net profit attributable to shareholders of the Bank	**67**	**233**	**19**	**96**	**12**	**152**	**266**	**845**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)[(1)]	11.3%	10.4%	-	20.1%	5.6%	12.7%	-	16.2%

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.

Note 12 – Operating Segments – continued
Operating segments in conformity with the management approach
For the year ended December 31, 2021 (audited)
Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues, net:								
From externals	747	5,952	(30)	923	273	990	(1,170)	7,685
Inter-segment	1,078	(4,029)	74	202	15	114	2,546	-
Total interest revenues, net	**1,825**	**1,923**	**44**	**1,125**	**288**	**1,104**	**1,376**	**7,685**
Non-interest financing revenues	79	1	1	3	(1)	57	261	401
Commissions and other revenues	723	147	23	454	86	318	483	2,234
Total revenues	**2,627**	**2,071**	**68**	**1,582**	**373**	**1,479**	**2,120**	**10,320**
Expenses with respect to credit losses	(76)	(130)	(5)	(93)	24	11	(9)	(278)
Operating and other expenses	2,283	801	37	988	283	652	524	5,568
Pre-tax profit (loss)	420	1,400	36	687	66	810	1,605	5,030
Provision (reduced provision) for taxes on profit	144	482	12	236	23	281	552	1,730
After-tax profit (loss)	**276**	**918**	**24**	**451**	**43**	**535**	**1,053**	**3,300**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	(10)	(10)
Net profit (loss):								
Before attribution to non-controlling interests	276	918	24	451	43	535	1,043	3,290
Attributable to non-controlling interests	(52)	-	-	(6)	-	-	(44)	(102)
Net profit (loss) attributable to shareholders of the Bank	**224**	**918**	**24**	**445**	**43**	**535**	**999**	**3,188**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)(1)	9.4%	10.0%	-	23.3%	4.8%	10.9%	-	15.8%
Average balance of loans to the public, net	31,808	157,145	421	22,668	7,631	33,509	-	253,182
Average balance of deposits from the public	135,541	-	7,645	42,268	13,515	79,845	15,601	294,415
Average balance of assets	32,038	156,125	505	22,771	7,652	45,748	106,684	371,523
Average balance of risk assets(2)	28,278	90,985	238	19,220	8,896	48,462	12,244	208,323

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.
(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses

Reported amounts (NIS in millions)

A. Debts[1], bonds held to maturity and bonds available for sale and off-balance sheet credit instruments

1. Movement in balance of provision for credit losses

	Commercial	Housing	Individual – other	Total	Banks, governments and bonds	Total
	For the three months ended September 30, 2022 (unaudited)					
	Provision for credit losses					
	Loans to the public					
Balance of provision for credit losses at start of period	1,586	825	443	2,854	1	2,855
Expenses with respect to credit losses	98	36	21	155	-	155
Accounting write-offs	(58)	-	(63)	(121)	-	(121)
Collection of debts written off for accounting purposes in previous years	29	-	52	81	-	81
Net accounting write-offs	(29)	-	(11)	(40)	-	(40)
Other[3]	15	1	5	21	-	21
Balance of provision for credit losses at end of period	**1,670**	**862**	**458**	**2,990**	**1**	**2,991**
Of which: With respect to off balance sheet credit instruments	**168**	**4**	**14**	**186**	**-**	**186**
	For the three months ended September 30, 2021 (unaudited)					
Balance of provision for credit losses at start of period	1,271	859	286	2,416	3	2,419
Expenses (income) with respect to credit losses	(25)	(10)	1	(34)	(2)	(36)
Accounting write-offs	(37)	(2)	(40)	(79)	-	(79)
Collection of debts written off for accounting purposes in previous years	32	1	26	59	-	59
Net accounting write-offs	(5)	(1)	(14)	(20)	-	(20)
Other[3]	8	-	1	9	-	9
Balance of provision for credit losses at end of period	**1,249**	**848**	**274**	**2,371**	**1**	**2,372**
Of which: With respect to off balance sheet credit instruments	**188**	**-**	**20**	**208**	**-**	**208**
	For the nine months ended September 30, 2022 (unaudited)					
Balance of provision for credit losses at start of period	1,256	804	254	2,314	1	2,315
Opening balance adjustment for effect of initial application of public reporting directives with regard to expected credit losses[2]	275	(32)	149	392	-	392
Expenses with respect to credit losses	200	88	53	341	-	341
Accounting write-offs[2]	(151)	-	(136)	(287)	-	(287)
Collection of debts written off for accounting purposes in previous years[2]	84	-	97	181	-	181
Net accounting write-offs	(67)	-	(39)	(106)	-	(106)
Other[3]	6	2	41	49	-	49
Balance of provision for credit losses at end of period	**1,670**	**862**	**458**	**2,990**	**1**	**2,991**
Of which: With respect to off balance sheet credit instruments	**168**	**4**	**14**	**186**	**-**	**186**
	For the nine months ended September 30, 2021 (unaudited)					
Balance of provision for credit losses at start of period	1,383	942	340	2,665	2	2,667
Expenses (income) with respect to credit losses	(136)	(92)	(34)	(262)	(1)	(263)
Accounting write-offs	(157)	(5)	(113)	(275)	-	(275)
Collection of debts written off for accounting purposes in previous years	132	2	73	207	-	207
Net accounting write-offs	(25)	(3)	(40)	(68)	-	(68)
Other[3]	27	1	8	36	-	36
Balance of provision for credit losses at end of period	**1,249**	**848**	**274**	**2,371**	**1**	**2,372**
Of which: With respect to off balance sheet credit instruments	**188**	**-**	**20**	**208**	**-**	**208**

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

(2) Including with respect to residential mortgages of insignificant amount.

(3) Movement in provision for credit losses in subsidiary, primarily attributed to cost of acquisition upon initial consolidation, and is therefore not included on the consolidated balance sheet.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

A. Debts[1], bonds held to maturity and bonds available for sale and off-balance sheet credit instruments

2. Additional information about calculation of the provision for credit losses with respect to debts, and debts for which the provision has been calculated:

	September 30, 2022 (unaudited)					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Individual – other	Total		
Recorded debt balance[1]						
reviewed on individual basis	74,427	-	414	74,841	23,136	97,977
reviewed on group basis	12,681	193,770	25,616	232,067	-	232,067
Total debts	**87,108**	**[2]193,770**	**26,030**	**306,908**	**23,136**	**330,044**
Provision for credit losses with respect to debts[1]						
reviewed on individual basis	1,120	-	11	1,131	1	1,132
reviewed on group basis	382	858	433	1,673	-	1,673
Total provision for credit losses	**1,502**	**858**	**444**	**2,804**	**1**	**2,805**

	September 30, 2021 (unaudited)					
Recorded debt balance[1]						
reviewed on individual basis	58,601	47	524	59,172	20,858	80,030
reviewed on group basis	9,278	169,858	23,597	202,733	-	202,733
Total debts	**67,879**	**[2]169,905**	**24,121**	**261,905**	**20,858**	**282,763**
Provision for credit losses with respect to debts[1]						
reviewed on individual basis	953	1	28	982	1	983
reviewed on group basis	108	847	226	1,181	-	1,181
Total provision for credit losses	**1,061**	**848**	**254**	**2,163**	**1**	**2,164**

	As of December 31, 2021 (audited)					
Recorded debt balance[1]						
reviewed on individual basis	63,761	36	564	64,361	23,888	88,249
reviewed on group basis	9,162	175,722	24,286	209,170	-	209,170
Total debts	**72,923**	**[2]175,758**	**24,850**	**273,531**	**23,888**	**297,419**
Provision for credit losses with respect to debts[1]						
reviewed on individual basis	959	1	21	981	1	982
reviewed on group basis	102	803	217	1,122	-	1,122
Total provision for credit losses	**1,061**	**804**	**238**	**2,103**	**1**	**2,104**

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

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 12,451 million (as of September 30, 2022: NIS 10,204 million and as of December 31, 2021: NIS 11,145 million).

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears

	As of September 30, 2022 (unaudited)					
		Problematic[1]			Accruing debts – additional information	
	In good standing	Accruing	Non-accruing	Total	In arrears 90 days or longer[2]	In arrears 30 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction[4]	24,529	302	175	25,006	21	20
Construction and real estate – real estate operations	6,831	22	114	6,967	1	29
Financial services	10,354	6	25	10,385	2	36
Commercial – other	39,173	521	910	40,604	44	140
Total commercial	**80,887**	**851**	**1,224**	**82,962**	**68**	**225**
Private individuals – residential mortgages	191,920	129	1,567	193,616	-	592
Private individuals – other	25,785	148	73	26,006	35	120
Total loans to the public – activity in Israel	**298,592**	**1,128**	**2,864**	**302,584**	**103**	**937**
Borrower activity overseas						
Public – commercial						
Construction and real estate	2,367	-	-	2,367	-	-
Commercial – other	1,704	29	46	1,779	31	-
Total commercial	**4,071**	**29**	**46**	**4,146**	**31**	**-**
Private individuals	178	-	-	178	-	-
Total loans to the public – activity overseas	**4,249**	**29**	**46**	**4,324**	**31**	**-**
Total loans to the public	**302,841**	**1,157**	**2,910**	**306,908**	**134**	**937**

(1) Loans to the public – non-accruing, inferior or under special supervision
(2) Classified as problematic debts accruing interest revenues.
(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 177 million were classified as problematic debts.
(4) Includes debts amounting to NIS 1,227 million, extended to certain purchase groups which are in the process of construction.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears – continued

	As of September 30, 2021 (unaudited) [5]					
		Problematic[1]			Accruing debts – additional information	
	In good standing	Accruing	Non-accruing	Total	In arrears 90 days or longer[2]	In arrears 30 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction[4]	17,026	95	193	17,314	4	24
Construction and real estate – real estate operations	6,252	46	100	6,398	1	21
Financial services	7,017	37	9	7,063	1	3
Commercial – other	32,679	539	863	34,081	32	70
Total commercial	**62,974**	**717**	**1,165**	**64,856**	**38**	**118**
Private individuals – residential mortgages	168,333	1,396	-	169,729	1,396	504
Private individuals – other	23,925	137	52	24,114	26	64
Total loans to the public – activity in Israel	**255,232**	**2,250**	**1,217**	**258,699**	**1,460**	**686**
Borrower activity overseas						
Public – commercial						
Construction and real estate	1,864	1	-	1,865	-	-
Commercial – other	1,103	35	20	1,158	-	-
Total commercial	**2,967**	**36**	**20**	**3,023**	**-**	**-**
Private individuals	183	-	-	183	-	-
Total loans to the public – activity overseas	**3,150**	**36**	**20**	**3,206**	**-**	**-**
Total loans to the public	**258,382**	**2,286**	**1,237**	**261,905**	**1,460**	**686**

(1) Loans to the public – non-accruing, inferior or under special supervision
(2) Classified as problematic debts accruing interest revenues.
(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 60 million were classified as problematic debts.
(4) Includes debts amounting to NIS 1,974 million, extended to certain purchase groups which are in the process of construction.
(5) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears – continued

	As of December 31, 2021 (audited) [5]					
		Problematic[1]			Accruing debts – additional information	
	In good standing	Accruing	Non-accruing	Total	In arrears 90 days or longer[2]	In arrears 30 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction[4]	19,580	124	177	19,881	9	23
Construction and real estate – real estate operations	6,116	28	84	6,228	1	9
Financial services	8,101	35	7	8,143	-	1
Commercial – other	34,101	513	919	35,533	16	108
Total commercial	**67,898**	**700**	**1,187**	**69,785**	**26**	**141**
Private individuals – residential mortgages	174,299	1,300	-	175,599	1,300	519
Private individuals – other	24,649	137	56	24,842	26	79
Total public – activity in Israel	**266,846**	**2,137**	**1,243**	**270,226**	**1,352**	**739**
Borrower activity overseas						
Public – commercial						
Construction and real estate	2,196	1	-	2,197	-	-
Commercial – other	902	33	6	941	-	-
Total commercial	**3,098**	**34**	**6**	**3,138**	**-**	**-**
Private individuals	167	-	-	167	-	-
Total public – activity overseas	**3,265**	**34**	**6**	**3,305**	**-**	**-**
Total public	**270,111**	**2,171**	**1,249**	**273,531**	**1,352**	**739**

(1) Loans to the public – non-accruing, inferior or under special supervision
(2) Classified as problematic debts accruing interest revenues.
(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 49 million were classified as problematic debts.
(4) Includes debts amounting to NIS 1,699 million, extended to certain purchase groups which are in the process of construction.
(5) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.B. Credit quality by year when credit was extended

	As of September 30, 2022 (unaudited)								
	Recorded debt balance of term loans to the public						Recorded debt balance of renewable loans	Recorded debt balance of renewable loans converted into term loans	
	2022	2021	2020	2019	2018	Previously			Total
Credit quality by year when credit was extended									
Borrower activity in Israel									
Public – commercial									
Construction and real estate – total	**15,571**	**8,536**	**1,999**	**977**	**761**	**820**	**2,705**	**604**	**31,973**
Credit at performing credit rating	15,354	8,242	1,799	857	548	758	2,484	594	30,636
Credit other than at performing credit rating and non-problematic	88	206	117	51	155	30	70	7	724
Accruing problematic credit	73	58	58	45	43	-	46	1	324
Non-accruing credit	56	30	25	24	15	32	105	2	289
Commercial, other – total	**13,584**	**7,079**	**6,225**	**2,089**	**1,371**	**1,941**	**18,358**	**342**	**50,989**
Credit at performing credit rating	12,857	6,674	5,820	1,977	1,312	1,814	17,649	319	48,422
Credit other than at performing credit rating and non-problematic	107	207	209	15	16	43	501	7	1,105
Accruing problematic credit	134	48	92	24	8	10	208	3	527
Non-accruing credit	486	150	104	73	35	74	-	13	935
Individuals – residential mortgages – total	**29,304**	**27,799**	**24,036**	**18,147**	**20,529**	**73,792**	**9**	**-**	**193,616**
LTV up to 60%	14,163	15,455	13,415	12,133	12,692	52,384	-	-	120,242
LTV from 60% to 75%	14,905	12,219	10,488	5,955	7,475	19,833	2	-	70,877
LTV over 75%	236	125	133	59	362	1,575	7	-	2,497
Credit at performing credit rating, not in arrears	28,918	27,334	23,601	17,766	20,086	72,437	9	-	190,151
Credit not at performing credit rating, not in arrears	347	242	138	69	85	425	-	-	1,306
In arrears 30-89 days	6	92	82	58	67	287	-	-	592
Non-accruing credit	33	131	215	254	291	643	-	-	1,567
Individuals, other – total	**7,517**	**4,777**	**2,454**	**1,977**	**1,189**	**1,243**	**6,781**	**68**	**26,006**
Credit at performing credit rating, not in arrears	7,371	4,682	2,392	1,922	1,148	1,192	6,693	65	25,465
Credit not at performing credit rating, not in arrears	61	59	38	38	36	44	35	2	313
In arrears 30-89 days	57	14	6	2	1	3	37	-	120
In arrears over 90 days	9	7	5	5	2	1	6	-	35
Non-accruing credit	19	15	13	10	2	3	10	1	73
Total loans to the public – activity in Israel	**65,976**	**48,191**	**34,714**	**23,190**	**23,850**	**77,796**	**27,853**	**1,014**	**302,584**
Borrower activity overseas									
Total loans to the public – activity overseas	**1,573**	**663**	**772**	**553**	**379**	**384**	**-**	**-**	**4,324**
Non-problematic credit	1,573	619	741	553	379	384	-	-	4,249
Accruing problematic credit	-	11	18	-	-	-	-	-	29
Non-accruing credit	-	33	13	-	-	-	-	-	46
Total loans to the public	**67,549**	**48,854**	**35,486**	**23,743**	**24,229**	**78,180**	**27,853**	**1,014**	**306,908**

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts[1]

	As of September 30, 2022 (unaudited)					
	Balance of non-accruing debts for which a provision has been recognized[1][2]	Provision balance	Balance of non-accruing debts for which a provision has not been recognized[1]	Total balance of non-accruing debts[1]	Contractual principal balance of non-accruing debts	Interest revenues recognized[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate	259	32	30	289	389	19
Commercial – other	924	244	11	935	1,409	8
Total commercial	**1,183**	**276**	**41**	**1,224**	**1,798**	**27**
Private individuals – residential mortgages	1,530	76	37	1,567	1,683	-
Private individuals – other	68	45	5	73	136	3
Total loans to the public – activity in Israel	**2,781**	**397**	**83**	**2,864**	**3,617**	**30**
Borrower activity overseas						
Total loans to the public – activity overseas	**46**	**20**	**-**	**46**	**112**	**-**
Total	**2,827**	**417**	**83**	**2,910**	**3,729**	**30**
Of which:						
Measured individually at present value of cash flows	1,127	287	14	1,141	1,851	
Measured individually at fair value of collateral	93	5	27	120	137	
Measured on group basis	1,607	125	42	1,649	1,741	

(1) Recorded debt balance.
(2) Debt balance net of accounting write-off, if made.
(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 126 million.

Additional information: Total average recorded debt balance for non-accruing debt in the nine months ended September 30, 2022 amounted to NIS 2,727 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts[(1)]

	As of September 30, 2021 (unaudited) [(4)]					
	Balance of non-accruing debts for which a provision has been recognized[(1)(2)]	Provision balance	Balance of non-accruing debts for which a provision has not been recognized[(1)]	Total balance of non-accruing debts[(1)]	Contractual principal balance of non-accruing debts	Interest revenues recognized[(3)]
Borrower activity in Israel						
Public – commercial						
Construction and real estate	249	26	44	293	380	-
Commercial – other	736	271	136	872	1,112	3
Total commercial	**985**	**297**	**180**	**1,165**	**1,492**	**3**
Private individuals – residential mortgages	-	-	-	-	-	-
Private individuals – other	29	19	23	52	65	1
Total loans to the public – activity in Israel	**1,014**	**316**	**203**	**1,217**	**1,557**	**4**
Borrower activity overseas						
Total loans to the public – activity overseas	**20**	**16**	**-**	**20**	**64**	**-**
Total	**1,034**	**332**	**203**	**1,237**	**1,621**	**4**
Of which:						
Measured individually at present value of cash flows	873	324	145	1,018	1,454	
Measured individually at fair value of collateral	148	1	58	206	167	
Measured on group basis	13	7	-	13	-	

(1) Recorded debt balance.
(2) Debt balance net of accounting write-off, if made.
(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.
(4) Re-classified in conformity with new disclosure format.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 89 million.

Additional information: Total average recorded debt balance for non-accruing debt in the nine months ended September 30, 2021 amounted to NIS 1,373 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts[1]

	As of December 31, 2021 (audited) [4]					
	Balance of non-accruing debts for which a provision has been recognized[1][2]	Provision balance	Balance of non-accruing debts for which a provision has not been recognized[1]	Total balance of non-accruing debts[1]	Contractual principal balance of non-accruing debts	Interest revenues recognized[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate	221	19	40	261	367	2
Commercial – other	789	282	137	926	1,145	11
Total commercial	**1,010**	**301**	**177**	**1,187**	**1,512**	**13**
Private individuals – residential mortgages	-	-	-	-	-	-
Private individuals – other	36	17	20	56	105	3
Total loans to the public – activity in Israel	**1,046**	**318**	**197**	**1,243**	**1,617**	**16**
Borrower activity overseas						
Total loans to the public – activity overseas	**6**	**1**	**-**	**6**	**1**	**-**
Total	**1,052**	**319**	**197**	**1,249**	**1,618**	**16**
Of which:						
Measured individually at present value of cash flows	929	312	140	1,069	1,461	
Measured individually at fair value of collateral	111	-	57	168	157	
Measured on group basis	12	7	-	12	-	

(1) Recorded debt balance.
(2) Debt balance net of accounting write-off, if made.
(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.
(4) Re-classified in conformity with new disclosure format.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 117 million.

Additional information: Total average recorded debt balance for non-accruing debt in the year ended December 31, 2021 amounted to NIS 1,528 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Additional information about debt subject to re-structuring of problematic debt

	September 30, 2022 (unaudited)				
	Recorded debt balance				
	Not accruing interest revenues	Accruing[1] in arrears 90 days or longer	Accruing[1] in arrears 30 to 89 days	Accruing[1] not in arrears	Total
Borrower activity in Israel					
Public – commercial					
Construction and real estate	48	-	-	1	49
Commercial – other	140	-	-	17	157
Total commercial	**188**	**-**	**-**	**18**	**206**
Private individuals – residential mortgages[2]	826	-	-	128	954
Private individuals – other	38	-	1	26	65
Total loans to the public – activity in Israel	**1,052**	**-**	**1**	**172**	**1,225**
Borrower activity overseas					
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total	**1,052**	**-**	**1**	**172**	**1,225**
	September 30, 2021 (unaudited) [3]				
Borrower activity in Israel					
Public – commercial					
Construction and real estate	45	-	-	12	57
Commercial – other	332	-	3	34	369
Total commercial	**377**	**-**	**3**	**46**	**426**
Private individuals – residential mortgages	-	-	-	-	-
Private individuals – other	32	-	1	37	70
Total loans to the public – activity in Israel	**409**	**-**	**4**	**83**	**496**
Borrower activity overseas					0
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total	**409**	**-**	**4**	**83**	**496**

(1) Accruing interest revenues.
(2) Initially presented due to application of new rules on identification of re-structuring of problematic debts for residential mortgages.
(3) Re-classified in conformity with new disclosure format.

As of September 30, 2022, debt subject to re-structuring of problematic debt, amounting to NIS 1,088 million, was classified as problematic debt. As of September 30, 2021 – amounting to NIS 496 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Additional information about debt subject to re-structuring of problematic debt – continued

	December 31, 2021 (audited)[2]				
	Recorded debt balance				
	Not accruing interest revenues	Accruing[1] in arrears 90 days or longer	Accruing[1] in arrears 30 to 89 days	Accruing[1] not in arrears	Total
Borrower activity in Israel					
Public – commercial					
Construction and real estate	52	-	-	12	64
Commercial – other	315	-	-	31	346
Total commercial	**367**	**-**	**-**	**43**	**410**
Private individuals – residential mortgages	-	-	-	-	-
Private individuals – other	31	-	1	34	66
Total loans to the public – activity in Israel	**398**	**-**	**1**	**77**	**476**
Borrower activity overseas					
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total	**398**	**-**	**1**	**77**	**476**

(1) Accruing interest revenues.
(2) Re-classified in conformity with new disclosure format.

As of December 31, 2021, debt subject to re-structuring of problematic debt, amounting to NIS 476 million, was classified as problematic debt.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Additional information about debt subject to re-structuring of problematic debt – continued

	Restructurings made					
	For the three months ended					
	September 30, 2022 (unaudited)			September 30, 2021 (unaudited)		
	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
Borrower activity in Israel						
Public – commercial						
Construction and real estate	18	6	6	7	1	1
Commercial – other	77	11	12	36	10	10
Total commercial	**95**	**17**	**18**	**43**	**11**	**11**
Private individuals – residential mortgages	282	73	73	-	-	-
Private individuals – other	254	11	10	130	4	4
Total loans to the public – activity in Israel	**631**	**101**	**101**	**173**	**15**	**15**
Borrower activity overseas						
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**	**-**
Total	**631**	**101**	**101**	**173**	**15**	**15**

	For the nine months ended					
	September 30, 2022 (unaudited)			September 30, 2021 (unaudited)		
	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
Borrower activity in Israel						
Public – commercial						
Construction and real estate	49	13	13	42	13	13
Commercial – other	230	80	79	193	111	111
Total commercial	**279**	**93**	**92**	**235**	**124**	**124**
Private individuals – residential mortgages	953	279	279	-	-	-
Private individuals – other	784	32	31	640	17	16
Total loans to the public – activity in Israel	**2,016**	**404**	**402**	**875**	**141**	**140**
Borrower activity overseas						
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,016**	**404**	**402**	**875**	**141**	**140**

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Additional information about debt subject to re-structuring of problematic debt – continued

	Restructurings made which are in default[1]			
	For the three months ended			
	September 30, 2022 (unaudited)		September 30, 2021 (unaudited)	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate	4	-	7	2
Commercial – other	23	1	24	5
Total commercial	**27**	**1**	**31**	**7**
Private individuals – residential mortgages	417	126	-	-
Private individuals – other	121	2	47	1
Total public – activity in Israel	**565**	**129**	**78**	**8**
Borrower activity overseas				
Total public – activity overseas	**-**	**-**	**-**	**-**
Total	**565**	**129**	**78**	**8**

	For the nine months ended			
	September 30, 2022 (unaudited)		September 30, 2021 (unaudited)	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate	16	-	18	2
Commercial – other	74	6	65	7
Total commercial	**90**	**6**	**83**	**9**
Private individuals – residential mortgages	1,532	463	-	-
Private individuals – other	308	6	252	2
Total loans to the public – activity in Israel	**1,930**	**475**	**335**	**11**
Borrower activity overseas				
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**
Total	**1,930**	**475**	**335**	**11**

(1) Debts which became, in the reported period, debts in arrears of 30 days or longer, which were restructured under problematic debt restructuring in the 12 months prior to the date on which they became debts in arrears.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.C. Additional information about non-accruing credit in arrears

	Not in arrears 90 days or longer	In arrears 90 to 180 days	In arrears 180 days to 1 year	In arrears over 1 year to 3 years	In arrears over 3 years to 5 years	In arrears over 5 years to 7 years	In arrears over 7 years	Total
As of September 30, 2022 (unaudited)								
Commercial	727	127	148	181	50	29	8	1,270
Residential mortgages	553	455	315	161	41	11	31	1,567
Private individuals – other	39	5	15	9	4	1	-	73
Total	**1,319**	**587**	**478**	**351**	**95**	**41**	**39**	**2,910**
As of September 30, 2021 (unaudited)								
Commercial	627	96	72	285	65	22	18	1,185
Residential mortgages	-	-	-	-	-	-	-	-
Private individuals – other	38	2	3	7	2	-	-	52
Total	**665**	**98**	**75**	**292**	**67**	**22**	**18**	**1,237**
As of December 31, 2021 (audited)								
Commercial	608	114	101	265	60	25	20	1,193
Residential mortgages	-	-	-	-	-	-	-	-
Private individuals – other	44	2	2	6	2	-	-	56
Total	**652**	**116**	**103**	**271**	**62**	**25**	**20**	**1,249**

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

3. Additional information about residential mortgages

Below is the composition of balances by loan-to-value ratio (LTV)[(1)], repayment type and interest type:

		September 30, 2022 (unaudited)			
		Balance of residential mortgages			Off-balance sheet credit risk
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	121,101	3,550	76,918	3,473
	Over 60%	72,250	819	45,296	3,672
Junior lien or no lien		419	4	288	6,900
Total		**193,770**	**4,373**	**122,502**	**14,045**

		September 30, 2021 (unaudited)			
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	110,200	3,310	69,865	3,545
	Over 60%	59,380	760	37,387	3,633
Junior lien or no lien		322	3	230	7,406
Total		**169,902**	**4,073**	**107,482**	**14,584**

		As of December 31, 2021 (audited)			
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	112,939	3,315	71,720	3,798
	Over 60%	62,491	767	39,313	3,859
Junior lien or no lien		328	2	232	12,112
Total		**175,758**	**4,084**	**111,265**	**19,769**

(1) Ratio of approved facility upon extending the facility to the property value, as approved by the Bank upon extending the facility.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

C. Sale, purchase and syndication of loans to the public during the year

1. Sale and purchase of loans to the public

	Credit risk to the public sold					Purchased risk with respect to loans to the public [1]		
	Loans to the public sold in the period	**Off-balance sheet credit risk(2) sold in the period**	**Of which: Problematic credit**	**Total gain (loss) with respect to credit sold**	**Balance of sold loans at end of period, which is serviced by the banking corporation**	**Loans to the public purchased in the period[3]**	**Off-balance sheet credit risk(2) purchased in the period**	**Of which: Problematic credit**
	For the three months ended September 30, 2022 (unaudited)							
Commercial – other	-	-	-	-	-	191	-	-
Private individuals – residential mortgages	1,899	-	-	-	5,876	-	-	-
Private individuals – other	1	-	-	8	1	195	-	-
Total credit risk to public	**1,900**	**-**	**-**	**8**	**5,877**	**386**	**-**	**-**
	For the three months ended September 30, 2021 (unaudited)							
Commercial – other	-	-	-	-	-	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,613	-	-	-
Private individuals – other	-	-	-	-	-	362	-	-
Total credit risk to public	**-**	**-**	**-**	**-**	**4,613**	**362**	**-**	**-**
	For the nine months ended September 30, 2022 (unaudited)							
Commercial – other	3	50	-	-	-	191	-	-
Private individuals – residential mortgages	1,899	-	-	-	5,876	-	-	-
Private individuals – other	1	-	-	8	1	1,234	-	-
Total credit risk to public	**1,903**	**50**	**-**	**8**	**5,877**	**1,425**	**-**	**-**
	For the nine months ended September 30, 2021 (unaudited)							
Commercial – other	-	-	-	-	-	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,613	-	-	-
Private individuals – other	-	-	-	-	-	1,216	-	-
Total credit risk to public	**-**	**-**	**-**	**-**	**4,613**	**1,216**	**-**	**-**
	For the year ended December 31, 2021 (audited)							
Commercial – other	234	-	-	-	-	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,998	-	-	-
Private individuals – other	-	-	-	-	-	1,778	-	-
Total credit risk to public	**234**	**-**	**-**	**-**	**4,998**	**1,778**	**-**	**-**

(1) Excluding short-term factoring transactions.
(2) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of borrower indebtedness, except for derivatives.
(3) Of which: Loans at 10% which are seller-guaranteed loans (for credit risk).

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

D. Sale, purchase and syndication of loans to the public during the year – Continued

2. Syndications and participation in loan syndications

	Syndication transactions initiated by the banking corporation (2)				Syndication transactions initiated by others	
	Share of the banking corporation		Others' share		Share of the banking corporation	
	Loans to the public	Off-balance sheet credit risk(1)	Loans to the public	Off-balance sheet credit risk(1)	Loans to the public	Off-balance sheet credit risk(1)
	As of September 30, 2022 (unaudited)					
Construction and real estate	1,639	2	1,882	1	565	136
Commercial – other	2,688	2,678	6,965	2,629	1,508	1,148
Total credit risk to public	**4,327**	**2,680**	**8,847**	**2,630**	**2,073**	**1,284**
	As of September 30, 2021 (unaudited)					
Construction and real estate	5	-	153	-	62	-
Commercial – other	2,225	1,003	6,030	1,024	1,057	480
Total credit risk to public	**2,230**	**1,003**	**6,183**	**1,024**	**1,119**	**480**
	As of December 31, 2021 (audited) (3)					
Construction and real estate	964	2	1,348	29	72	136
Commercial – other	2,103	935	5,767	1,190	914	466
Total credit risk to public	**3,067**	**937**	**7,115**	**1,219**	**986**	**602**

(1) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of borrower indebtedness, except for derivatives.

(2) Excludes syndication transactions initiated by others to extend credit to foreign governments, amounting to NIS 307 million as of September 30, 2022 (as of September 30, 2021: NIS 475 million; as of December 31, 2021: NIS 307 million).

(3) Restated.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

d. Off-balance sheet financial instruments

Contractual balances or their denominated amounts at end of quarter

	September 30		December 31	September 30		December 31
	2022	2021	2021	2022	2021	2021
			Balance[1]	Provision for credit losses		
	(Unaudited)		(Audited)	(Unaudited)		(Audited)
Transactions in which the balance represents a credit risk:						
- Un-utilized debitory account and other credit facilities in accounts available on demand	20,480	22,536	21,168	31	43	39
- Guarantees to home buyers	19,938	15,011	16,582	13	8	8
- Irrevocable commitments for loans approved but not yet granted[3]	24,677	28,559	32,963	16	39	46
- Unutilized revolving credit card facilities	11,384	10,871	10,643	10	10	9
- Commitments to issue guarantees	8,159	10,222	9,351	1	3	3
- Guarantees and other liabilities[2]	12,441	10,776	10,571	79	63	65
- Loan guarantees	3,332	3,326	3,321	33	40	38
- Documentary credit	786	310	430	3	2	3

(1) Contractual balances or their stated amounts at the end of the period, before effect of provision for credit losses.

(2) Includes the Bank's liabilities for its share in the risks fund of the MAOF Clearinghouse of NIS 66 million. (On September 30, 2021 and in December 31, 2021: NIS 70 million and NIS 85 million, respectively).

(3) Includes effect of extension of approval in principle for residential mortgages, from 12 to 24 days, pursuant to update to Proper Conduct of Banking Business Directive 451 regarding "Procedures for extending residential mortgages".

Note 14 – Assets and Liabilities by Linkage Basis

As of September 30, 2022 (unaudited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]			Non-monetary items[2]	
	Non-linked	CPI-linked	USD	EUR	Other currencies		Total
Assets							
Cash and deposits with banks	82,476	-	12,245	648	227	-	95,596
Securities	6,507	2,111	4,706	379	-	676	14,379
Securities borrowed or bought in conjunction with resale agreements	730	184	-	-	-	-	914
Loans to the public, net[3]	215,295	73,819	9,017	3,992	1,981	-	304,104
Loans to Governments	7	-	222	110	-	-	339
Investments in associated companies	32	-	-	-	-	74	106
Buildings and equipment	-	-	-	-	-	1,410	1,410
Intangible assets and goodwill	-	-	-	-	-	185	185
Assets with respect to derivatives	2,352	127	5,713	455	48	-	8,695
Other assets	2,227	230	675	8	39	860	4,039
Total assets	**309,626**	**76,471**	**32,578**	**5,592**	**2,295**	**3,205**	**429,767**
Liabilities							
Deposits from the public	260,399	23,170	53,434	5,810	2,526	-	345,339
Deposits from banks	3,833	-	3,441	398	53	-	7,725
Deposits from the Government	30	2	16	-	-	-	48
Bonds and subordinated notes	4,806	24,388	2,158	-	-	-	31,352
Liabilities with respect to derivatives	2,405	197	4,623	293	31	-	7,549
Other liabilities	8,525	3,826	266	2	29	1,060	13,708
Total liabilities	**279,998**	**51,583**	**63,938**	**6,503**	**2,639**	**1,060**	**405,721**
Difference	**29,628**	**24,888**	**(31,360)**	**(911)**	**(344)**	**2,145**	**24,046**
Impact of hedging derivatives:							
Derivative instruments (other than options)	1,535	(1,535)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(30,806)	(887)	30,701	650	342	-	-
Net in-the-money options (in terms of underlying asset)	(812)	-	648	215	(51)	-	-
Net out-of-the-money options (in terms of underlying asset)	(207)	-	199	17	(9)	-	-
Grand total	**(340)**	**22,466**	**188**	**(29)**	**(62)**	**2,145**	**24,046**
Net in-the-money options (capitalized par value)	(1,532)	-	1,604	(28)	(44)	-	-
Net out-of-the-money options (capitalized par value)	1,400	-	(1,543)	72	71	-	-

(1) Includes linked to foreign currency.
(2) Includes derivative instruments whose base relates to a non-monetary item.
(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Note 14 – Assets and Liabilities by Linkage Basis – continued

As of September 30, 2021 (unaudited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]			Non-monetary items[2]	
	Non-linked	CPI-linked	USD	EUR	Other currencies		Total
Assets							
Cash and deposits with banks	89,849	-	5,837	549	130	-	96,365
Securities	7,233	1,622	4,769	461	-	664	14,749
Securities borrowed or bought in conjunction with resale agreements	142	241	-	-	-	-	383
Loans to the public, net[3]	179,367	68,653	6,424	3,483	1,711	104	259,742
Loans to Governments	69	-	260	150	-	-	479
Investments in associated companies	35	-	-	-	-	(7)	28
Buildings and equipment	-	-	-	-	-	1,667	1,667
Intangible assets and goodwill	-	-	-	-	-	216	216
Assets with respect to derivatives	1,678	40	827	119	19	86	2,769
Other assets	1,783	518	138	1	24	701	3,165
Total assets	**280,156**	**71,074**	**18,255**	**4,763**	**1,884**	**3,431**	**379,563**
Liabilities							
Deposits from the public	229,561	21,274	44,900	5,729	2,353	104	303,921
Deposits from banks	5,084	-	1,403	227	87	-	6,801
Deposits from the Government	56	2	44	-	-	-	102
Bonds and subordinated notes	6,949	23,749	1,947	-	19	-	32,664
Liabilities with respect to derivatives	1,483	119	793	121	18	92	2,626
Other liabilities	6,839	3,254	149	7	29	1,410	11,688
Total liabilities	**249,972**	**48,398**	**49,236**	**6,084**	**2,506**	**1,606**	**357,802**
Difference	**30,184**	**22,676**	**(30,981)**	**(1,321)**	**(622)**	**1,825**	**21,761**
Impact of hedging derivatives:							
Derivative instruments (other than options)	2,291	(2,291)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(32,588)	(1,006)	31,829	1,190	575	-	-
Net in-the-money options (in terms of underlying asset)	422	-	(555)	193	(60)	-	-
Net out-of-the-money options (in terms of underlying asset)	(22)	-	63	(35)	(6)	-	-
Grand total	**287**	**19,379**	**356**	**27**	**(113)**	**1,825**	**21,761**
Net in-the-money options (capitalized par value)	(502)	-	571	(97)	28	-	-
Net out-of-the-money options (capitalized par value)	(188)	-	118	64	6	-	-

(1) Includes linked to foreign currency.
(2) Includes derivative instruments whose base relates to a non-monetary item.
(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Note 14 – Assets and Liabilities by Linkage Basis – continued

As of December 31, 2021 (audited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]			Non-monetary items[2]	
	Non-linked	CPI-linked	USD	EUR	Other currencies		Total
Assets							
Cash and deposits with banks	87,091	-	7,471	518	187	-	95,267
Securities	6,728	1,469	5,676	434	-	726	15,033
Securities borrowed or bought in conjunction with resale agreements	1,110	222	-	-	-	-	1,332
Loans to the public, net[3]	190,455	69,534	6,395	3,123	1,921	-	271,428
Loans to Governments	74	-	273	130	-	-	477
Investments in associated companies	35	-	-	-	-	34	69
Buildings and equipment	-	-	-	-	-	1,734	1,734
Intangible assets and goodwill	-	-	-	-	-	208	208
Assets with respect to derivatives	2,910	51	549	111	28	3	3,652
Other assets	1,698	523	172	1	21	656	3,071
Total assets	**290,101**	**71,799**	**20,536**	**4,317**	**2,157**	**3,361**	**392,271**
Liabilities							
Deposits from the public	233,149	21,503	44,961	5,574	2,737	-	307,924
Deposits from banks	5,116	-	1,629	224	23	-	6,992
Deposits from the Government	21	2	58	-	-	-	81
Bonds and subordinated notes	6,989	29,177	1,880	-	-	-	38,046
Liabilities with respect to derivatives	2,977	111	534	104	24	3	3,753
Other liabilities	8,880	3,268	212	6	38	1,342	13,746
Total liabilities	**257,132**	**54,061**	**49,274**	**5,908**	**2,822**	**1,345**	**370,542**
Difference	**32,969**	**17,738**	**(28,738)**	**(1,591)**	**(665)**	**2,016**	**21,729**
Impact of hedging derivatives:							
Derivative instruments (other than options)	2,294	(2,294)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(30,482)	(732)	29,070	1,533	611	-	-
Net in-the-money options (in terms of underlying asset)	258	-	(271)	39	(26)	-	-
Net out-of-the-money options (in terms of underlying asset)	(124)	-	104	27	(7)	-	-
Grand total	**4,915**	**14,712**	**165**	**8**	**(87)**	**2,016**	**21,729**
Net in-the-money options (capitalized par value)	(281)	-	132	150	(1)	-	-
Net out-of-the-money options (capitalized par value)	520	-	(403)	(109)	(8)	-	-

(1) Includes linked to foreign currency.
(2) Includes derivative instruments whose base relates to a non-monetary item.
(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Note 15 – Balances and estimates of fair value of financial instruments

Reported amounts (NIS in millions)

1) Information on the fair value of financial instruments is presented below:

A. Fair value balances

	September 30, 2022 (unaudited)				
		Fair value			
	Book balance	Level 1[1]	Level 2[1]	Level 3[1]	Total
Financial assets					
Cash and deposits with banks	95,596	18,695	67,555	8,901	95,151
Securities[3]	14,379	10,146	3,754	349	14,249
Securities borrowed or purchased in resale agreements	914	914	-	-	914
Loans to the public, net	304,104	2,016	11,841	[5]284,494	298,351
Loans to Governments	339	-	-	338	338
Investments in associated companies	106	-	-	106	106
Assets with respect to derivatives	8,695	1,234	6,794	[2]667	8,695
Other financial assets	1,486	7	-	1,479	1,486
Total financial assets	**[4]425,619**	**33,012**	**89,944**	**296,334**	**419,290**
Financial liabilities					
Deposits from the public	345,339	2,016	122,026	218,316	342,358
Deposits from banks	7,725	-	954	6,749	7,703
Deposits from the Government	48	-	-	47	47
Bonds and subordinated notes	31,352	26,971	-	2,730	29,701
Liabilities with respect to derivatives	7,549	1,233	5,600	[2]716	7,549
Other financial liabilities	10,356	2,590	2,068	5,695	10,353
Total financial liabilities	**[4]402,369**	**32,810**	**130,648**	**234,253**	**397,711**

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 5 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 99,661 million and NIS 145,236 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 10 million.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

A. Fair value balances – continued:

	September 30, 2021 (unaudited)				
		Fair value			
	Book balance	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
Financial assets					
Cash and deposits with banks	96,365	18,292	64,884	13,189	96,365
Securities[(3)]	14,749	10,069	4,339	398	14,806
Securities borrowed or purchased in resale agreements	383	383	-	-	383
Loans to the public, net	259,742	1,458	9,769	[(5)]250,699	261,926
Loans to Governments	479	-	-	480	480
Investments in associated companies	28	-	-	28	28
Assets with respect to derivatives	2,769	343	1,202	[(2)]1,224	2,769
Other financial assets	1,205	13	-	1,191	1,204
Total financial assets	**[(4)]375,720**	**30,558**	**80,194**	**267,209**	**377,961**
Financial liabilities					
Deposits from the public	303,921	1,406	101,889	203,049	306,344
Deposits from banks	6,801	-	798	6,003	6,801
Deposits from the Government	102	-	-	106	106
Bonds and subordinated notes	32,664	30,456	(13)	3,806	34,249
Liabilities with respect to derivatives	2,626	354	1,551	[(2)]721	2,626
Other financial liabilities	8,369	2,651	2,402	3,311	8,364
Total financial liabilities	**[(4)]354,483**	**34,867**	**106,627**	**216,996**	**358,490**

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 5 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 117,968 million and NIS 136,004 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 9 million.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

A. Fair value balances – continued:

	As of December 31, 2021 (audited)				
		Fair value			
	Book balance	**Level 1[(1)]**	**Level 2[(1)]**	**Level 3[(1)]**	**Total**
Financial assets					
Cash and deposits with banks	95,267	16,662	71,514	7,093	95,269
Securities[(3)]	15,033	10,553	4,117	424	15,094
Securities borrowed or purchased in resale agreements	1,332	1,332	-	-	1,332
Loans to the public, net	271,428	1,641	9,423	[(5)]263,092	274,156
Loans to Governments	477	-	-	477	477
Investments in associated companies	69	-	-	69	69
Assets with respect to derivatives	3,652	320	2,072	[(2)]1,260	3,652
Other financial assets	1,130	7	-	1,123	1,130
Total financial assets	**[(4)]388,388**	**30,515**	**87,126**	**273,538**	**391,179**
Financial liabilities					
Deposits from the public	307,924	1,588	107,921	200,501	310,010
Deposits from banks	6,992	-	443	6,549	6,992
Deposits from the Government	81	-	-	81	81
Bonds and subordinated notes	38,046	35,956	3	3,661	39,620
Liabilities with respect to derivatives	3,753	320	2,593	[(2)]840	3,753
Other financial liabilities	10,193	2,444	1,844	5,905	10,193
Total financial liabilities	**[(4)]366,989**	**40,308**	**112,804**	**217,537**	**370,649**

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 5 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 102,052 million and NIS 118,615 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 7 million.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value:

1. On recurring basis

	September 30, 2022 (unaudited)			
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
Of Government of Israel	1,507	3,237	-	4,744
Of foreign governments	1,302	-	-	1,302
Of banks and financial institutions in Israel	423	-	-	423
Of banks and financial institutions overseas	12	249	-	261
Asset-backed (ABS)	1	53	-	54
Of others in Israel	700	78	13	791
Of others overseas	220	8	3	231
Shares not held for trading	220	107	23	350
Securities held for trading:				
Bonds of the Government of Israel	2,269	-	-	2,269
Bonds of overseas governments	-	16	-	16
Bonds of financial institutions in Israel	1	-	-	1
Bonds of others in Israel	27	-	-	27
Bonds of foreign others	45	-	-	45
Shares held for trading	14	6	-	20
Securities borrowed or purchased in resale agreements	914	-	-	914
Credit with respect to loans to customers	2,016	-	-	2,016
Assets with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	70	58	128
Other	-	1,971	7	1,978
Currency contracts	112	4,740	544	5,396
Contracts for shares	1,120	13	56	1,189
Commodities and other contracts	2	-	2	4
Other financial assets	7	-	-	7
Other	-	-	10	10
Total assets	**10,912**	**10,548**	**716**	**22,176**
Liabilities				
Deposits with respect to borrowing from customers	2,016	-	-	2,016
Liabilities with respect to derivative instruments(1)				
Interest contracts:				
NIS / CPI	-	133	64	197
Other	-	1,545	67	1,612
Currency contracts	110	3,910	494	4,514
Contracts for shares	1,120	-	91	1,211
Commodities and other contracts	3	12	-	15
Other financial liabilities	2,590	-	-	2,590
Other	-	-	10	10
Total liabilities	**5,839**	**5,600**	**726**	**12,165**

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

1. On recurring basis

	September 30, 2021 (unaudited)			
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
Of Government of Israel	4,112	3,817	-	7,929
Of foreign governments	941	-	-	941
Of banks and financial institutions in Israel	108	50	-	158
Of banks and financial institutions overseas	11	176	29	216
Asset-backed (ABS)	-	28	-	28
Of others in Israel	510	187	23	720
Of others overseas	243	21	12	276
Investments in shares not held for trading	255	60	16	331
Securities held for trading:				
Bonds of the Government of Israel	654	-	-	654
Bonds of others in Israel	30	-	1	31
Bonds of foreign others	23	-	-	23
Shares held for trading	18	-	-	18
Securities borrowed or purchased in resale agreements	383	-	-	383
Credit with respect to loans to customers	1,458	-	-	1,458
Assets with respect to derivatives[(1)]				
Interest contracts:				
NIS / CPI	-	19	42	61
Other	-	557	120	677
Currency contracts	80	611	800	1,491
Contracts for shares	262	15	258	535
Commodities and other contracts	1	-	4	5
Other financial assets	13	-	-	13
Other	-	-	9	9
Total assets	**9,102**	**5,541**	**1,314**	**15,957**
Liabilities				
Deposits with respect to borrowing from customers	1,406	-	-	1,406
Liabilities with respect to derivative instruments[(1)]				
Interest contracts:				
NIS / CPI	-	70	55	125
Other	-	702	161	863
Currency contracts	84	774	483	1,341
Contracts for shares	269	4	17	290
Commodities and other contracts	1	1	5	7
Other financial liabilities	2,651	-	-	2,651
Other	-	-	6	6
Total liabilities	**4,411**	**1,551**	**727**	**6,689**

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

1. On recurring basis

	As of December 31, 2021 (audited)			
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
Of Government of Israel	3,638	3,676	-	7,314
Of foreign governments	2,035	-	-	2,035
Of banks and financial institutions in Israel	292	34	-	326
Of banks and financial institutions overseas	9	142	26	177
Asset-backed (ABS)	-	6	-	6
Of others in Israel	518	175	19	712
Of others overseas	221	20	12	253
Shares not held for trading	277	64	15	356
Securities held for trading:				
Bonds of the Government of Israel	473	-	-	473
Bonds of financial institutions in Israel	4	-	-	4
Bonds of others in Israel	24	-	-	24
Bonds of foreign others	49	-	-	49
Shares held for trading	20	-	-	20
Securities borrowed or purchased in resale agreements	1,332	-	-	1,332
Credit with respect to loans to customers	1,641	-	-	1,641
Assets with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	34	39	73
Other	-	450	78	528
Currency contracts	73	1,552	718	2,343
Contracts for shares	247	36	423	706
Commodities and other contracts	-	-	2	2
Other financial assets	7	-	-	7
Other	-	-	7	7
Total assets	**10,860**	**6,189**	**1,339**	**18,388**
Liabilities				
Deposits with respect to borrowing from customers	1,588	-	-	1,588
Liabilities with respect to derivative instruments(1)				
Interest contracts:				
NIS / CPI	-	71	46	117
Other	-	563	117	680
Currency contracts	73	1,954	665	2,692
Contracts for shares	247	-	12	259
Commodities and other contracts	-	5	-	5
Other financial liabilities	2,444	-	-	2,444
Total liabilities	**4,352**	**2,593**	**840**	**7,785**

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

2. On non-recurring basis

	September 30, 2022 (unaudited)				For the three months ended September 30, 2022	For the nine months ended September 30, 2022
	Fair value					
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains (losses)	
Impaired credit whose collection is contingent on collateral	-	-	120	120	(1)	(9)
Investments in shares for which no fair value is available	-	-	306	306	12	11

	September 30, 2021 (unaudited)				For the three months ended September 30, 2021	For the nine months ended September 30, 2021
	Fair value					
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains	
Impaired credit whose collection is contingent on collateral	-	13	193	206	6	31
Investments in shares for which no fair value is available	-	-	315	315	38	42

	As of December 31, 2021 (audited)				For the year ended December 31, 2021
	Fair value				
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains
Impaired credit whose collection is contingent on collateral	-	6	162	168	29
Investments in shares for which no fair value is available	-	-	350	350	42

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3:

	For the three months ended September 30, 2022 (unaudited)									
		Net realized / unrealized gains (losses) included[1]								
	Fair value as of June 30, 2022	In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisitions	Sales	Dispositions	Transfer to level 3[3]	Transfers from Level 3[3]	Fair value as of September 30, 2022	Unrealized gain (loss) with respect to instruments held as of September 30, 2022
Assets										
Securities available for sale										
Bonds:										
Of foreign financial institutions	72	1	1	-	-	-	-	(74)	-	-
Of others in Israel	63	7	(2)	-	-	-	-	(55)	13	-
Of others overseas	3	-	-	-	-	-	-	-	3	-
Shares not held for trading	23	-	-	-	-	-	-	-	23	(2)
Assets with respect to derivatives[2]										
Interest contracts:										
NIS / CPI	51	6	-	4	-	(3)	-	-	58	30
Other	34	(29)	-	2	-	-	-	-	7	36
Currency contracts	1,821	(307)	-	252	-	(1,221)	(1)	-	544	1,993
Contracts for shares	161	38	-	6	-	(149)	-	-	56	-
Commodities and other contracts	2	-	-	-	-	-	-	-	2	-
Other	9	1	-	-	-	-	-	-	10	-
Total assets	**2,239**	**(283)**	**(1)**	**264**	**-**	**(1,373)**	**(1)**	**(129)**	**716**	**2,057**
Liabilities										
Liabilities with respect to derivative instruments[2]										
Interest contracts:										
NIS / CPI	94	(36)	-	-	-	(13)	19	-	64	(41)
Other	79	(15)	-	3	-	-	-	-	67	(97)
Currency contracts	1,234	(120)	-	168	-	(788)	-	-	494	(961)
Contracts for shares	162	(9)	-	19	-	(81)	-	-	91	-
Commodities and other contracts	-	-	-	-	-	-	-	-	-	-
Other	9	1	-	-	-	-	-	-	10	-
Total liabilities	**1,578**	**(179)**	**-**	**190**	**-**	**(882)**	**19**	**-**	**726**	**(1,099)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3:

	For the three months ended September 30, 2021 (unaudited)									
		Net realized / unrealized gains (losses) included[(1)]								
	Fair value as of June 30, 2022	In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisitions	Sales	Dispositions	Transfer to level 3[(3)]	Transfers from Level 3[(3)]	Fair value as of September 30, 2022	Unrealized gains (losses) with respect to instruments held as of September 30, 2021
Assets										
Securities available for sale										
Bonds:										
Of foreign financial institutions	28	-	-	-	-	-	5	(4)	29	-
Of others in Israel	22	-	1	-	-	-	-	-	23	-
Of others overseas	12	(1)	1	-	-	-	-	-	12	1
Securities held for trading								-		
Of others in Israel	1	-	-	-	-	-	-	-	1	-
Shares not held for trading	16	-	-	-	-	-	-	-	16	-
Assets with respect to derivatives[(2)]										
Interest contracts:										
NIS / CPI	37	3	-	6	-	(4)	-	-	42	22
Other	156	(34)	-	2	-	(4)	-	-	120	112
Currency contracts	613	124	-	316	-	(253)	-	-	800	334
Contracts for shares	225	97	-	14	-	(78)	-	-	258	-
Commodities and other contracts	8	(3)	-	-	-	(1)	-	-	4	-
Other	8	1	-	-	-	-	-	-	9	-
Total assets	**1,126**	**187**	**2**	**338**	**-**	**(340)**	**5**	**(4)**	**1,314**	**469**
Liabilities										
Liabilities with respect to derivative instruments[(2)]										
Interest contracts:										
NIS / CPI	50	3	-	3	-	(1)	-	-	55	(19)
Other	195	(25)	-	1	-	(10)	-	-	161	(129)
Currency contracts	399	78	-	169	-	(163)	-	-	483	(255)
Contracts for shares	40	(3)	-	1	-	(21)	-	-	17	-
Commodities and other contracts	5	-	-	-	-	-	-	-	5	-
Other	3	3	-	-	-	-	-	-	6	-
Total liabilities	**692**	**56**	**-**	**174**	**-**	**(195)**	**-**	**-**	**727**	**(403)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

	For the nine months ended September 30, 2022 (unaudited)									
		Net realized / unrealized gains (losses) included(1)								
	Fair value as of December 31, 2021	In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisitions	Sales	Dispositions	Transfer to level 3(3)	Transfers from Level 3(3)	Fair value as of September 30, 2022	Unrealized gain (loss) with respect to instruments held as of September 30, 2022
Assets										
Securities available for sale										
Of foreign financial institutions	26	2	-	-	(3)	-	-	(25)	-	-
Of others in Israel	19	3	2	-	-	(2)	-	(9)	13	4
Of others overseas	12	-	-	-	-	(9)	-	-	3	-
Shares not held for trading	15	2	-	6	-	-	-	-	23	(2)
Assets with respect to derivatives(2)										
Interest contracts:										
NIS / CPI	39	14	-	8	-	(18)	15	-	58	30
Other	78	(107)	-	37	-	(1)	-	-	7	36
Currency contracts	718	186	-	1,812	-	(2,168)	(1)	(3)	544	1,993
Contracts for shares	423	46	-	35	-	(448)	-	-	56	-
Commodities and other contracts	2	-	-	-	-	-	-	-	2	-
Other	7	3	-	-	-	-	-	-	10	-
Total assets	**1,339**	**149**	**2**	**1,898**	**(3)**	**(2,646)**	**14**	**(37)**	**716**	**2,061**
Liabilities										
Liabilities with respect to derivative instruments(2)										
Interest contracts:										
NIS / CPI	46	13	-	5	-	(34)	34	-	64	(41)
Other	117	(54)	-	6	-	(2)	-	-	67	(97)
Currency contracts	665	613	-	1,051	-	(1,835)	-	-	494	(961)
Contracts for shares	12	25	-	149	-	(95)	-	-	91	-
Other	-	10	-	-	-	-	-	-	10	-
Total liabilities	**840**	**607**	**-**	**1,211**	**-**	**(1,966)**	**34**	**-**	**726**	**(1,099)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

	For the nine months ended September 30, 2021 (unaudited)								
		Net realized / unrealized gains (losses) included[1]							Unrealized gains (losses) with respect to instruments held as of September 30, 2021
	Fair value as of December 31, 2020	In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisitions	Sales	Dispositions	Transfer to level 3[3]	Fair Value as of September 30, 2021	
Assets									
Securities available for sale									
Bonds:									
Of foreign financial institutions	5	-	-	-	-	(2)	26	29	-
Of others in Israel	19	1	1	-	-	(9)	11	23	1
Of others overseas	-	-	1	-	-	-	11	12	1
Securities held for trading									
Of others in Israel	3	-	-	-	-	(2)	-	1	-
Shares not held for trading	16	-	-	-	-	-	-	16	-
Assets with respect to derivatives[2]									
Interest contracts:									
NIS / CPI	59	(23)	-	8	-	(45)	43	42	22
Other	162	(39)	-	2	-	(5)	-	120	112
Currency contracts	1,337	(111)	-	1,160	-	(1,586)	-	800	334
Contracts for shares	189	266	-	73	-	(270)	-	258	-
Commodities and other contracts	8	5	-	-	-	(9)	-	4	-
Other	9	-	-	-	-	-	-	9	-
Total assets	**1,807**	**99**	**2**	**1,243**	**-**	**(1,928)**	**91**	**1,314**	**470**
Liabilities									
Liabilities with respect to derivative instruments[2]									
Interest contracts:									
NIS / CPI	48	1	-	10	-	(28)	24	55	(19)
Other	215	(31)	-	2	-	(25)	-	161	(129)
Currency contracts	1,287	(96)	-	864	-	(1,572)	-	483	(255)
Contracts for shares	93	11	-	22	-	(109)	-	17	-
Commodities and other contracts	9	(3)	-	-	-	(1)	-	5	-
Other	6	-	-	-	-	-	-	6	-
Total liabilities	**1,658**	**(118)**	**-**	**898**	**-**	**(1,735)**	**24**	**727**	**(403)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

C. Change in items measured at fair value on recurrent basis, included in level 3 – Continued:

	For the year ended December 31, 2021 (audited)									
		Net realized / unrealized gains (losses) included[1]								
	Fair Value as of December 31, 2020	In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisitions	Sales	Dispositions	Transfer to level 3[3]	Transfers from Level 3[3]	Fair value as of December 31, 2021	Unrealized gains (losses) with respect to instruments held as of December 31, 2021
Assets										
Securities available for sale										
Bonds:										
Of foreign financial institutions	5	(1)	-	-	-	(2)	24	-	26	(1)
Of others in Israel	19	-	(1)	-	-	(10)	11	-	19	(2)
Of others overseas	-	-	1	-	-	-	11	-	12	-
Securities held for trading										
Of others in Israel	3	-	-	-	-	(3)	-	-	-	-
Shares not held for trading	16	(1)	-	-	-	-	-	-	15	(1)
Assets with respect to derivatives[2]										
Interest contracts:										
NIS / CPI	59	(27)	-	10	-	(46)	43	-	39	21
Other	162	(86)	-	8	-	(6)	-	-	78	74
Currency contracts	1,337	23	-	1,431	-	(2,073)	-	-	718	549
Contracts for shares	189	492	-	107	-	(365)	-	-	423	-
Commodities and other contracts	8	3	-	-	-	(9)	-	-	2	-
Other	9	(2)	-	-	-	-	-	-	7	-
Total assets	**1,807**	**401**	**-**	**1,556**	**-**	**(2,514)**	**89**	**-**	**1,339**	**640**
Liabilities										
Liabilities with respect to derivative instruments[2]										
Interest contracts:										
NIS / CPI	48	(10)	-	10	-	(41)	39	-	46	-
Other	215	(53)	-	4	-	(49)	-	-	117	(64)
Currency contracts	1,287	99	-	1,123	-	(1,844)	-	-	665	(315)
Contracts for shares	93	8	-	32	-	(121)	-	-	12	-
Commodities and other contracts	9	(8)	-	-	-	(1)	-	-	-	-
Other	6	(6)	-	-	-	-	-	-	-	-
Total liabilities	**1,658**	**30**	**-**	**1,169**	**-**	**(2,056)**	**39**	**-**	**840**	**(379)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

D. Additional information about non-observed significant data and valuation techniques used in fair value measurement of items classified at Level 3:

	Fair value as of September 30, 2022	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	23	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of others in Israel	3	Cash flows discounting	Price	5.60-78.20	29.75
	10	NAV (Net Asset Value) model	Price	63.50	63.50
Bonds of foreign others	3	Cash flows discounting	Price	15.00-72.50	24.25
Assets with respect to derivative instruments:					
NIS / CPI	29	Cash flows discounting	Inflationary expectations	0.17%-3.01%	2.10%
Foreign currency	10	Cash flows discounting	Counter-party credit quality	0	
Contracts for shares	1	Options pricing model	Standard deviation per share	40.78% - 181.31%	137.50%
Other	637	Cash flows discounting	Counter-party credit quality	0.30%-2.60%	1.91%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	58	Cash flows discounting	Inflationary expectations	1.80% - 3.01%	2.44%
Other	668	Cash flows discounting	Counter-party credit quality	0.30%-3.60%	1.75%

	Fair value as of September 30, 2021	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	16	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of others in Israel	5	Cash flows discounting	Price	5.60 - 83.35	33.77
	7	Cash flows discounting	Price	45.16	45.16
Bonds of foreign others	12	NAV (Net Asset Value) model	Price	19.76 - 96.00	61.90
Securities held for trading					
Bonds of others in Israel	1	Cash flows discounting	Price	33.31 - 83.35	55.98
Assets with respect to derivative instruments:					
NIS / CPI	18	Cash flows discounting	Inflationary expectations	0.41% - 5.83%	2.10%
Foreign currency	21	Cash flows discounting	Counter-party credit quality	0.13% - 16.87%	0.77%
Contracts for shares	280	Options pricing model	Standard deviation per share	27.88% - 98.73%	80.90%
Commodities and other contracts	1	Cash flows discounting	Counter-party credit quality	0.17%	0.17%
Other	1,193	Cash flows discounting	Counter-party credit quality	0.30% - 3.60%	1.76%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	40	Cash flows discounting	Inflationary expectations	0.12% - 2.19%	1.90%
Other	687	Cash flows discounting	Counter-party credit quality	0.30% - 2.60%	1.60%

	Fair value as of December 31, 2021	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	15	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of others in Israel	1	Cash flows discounting	Price	5.60-56.33	8.43
	8	NAV (Net Asset Value) model	Price	47.81	47.81
Bonds of foreign others	12	Cash flows discounting	Price	19.00-96.00	61.57
Assets with respect to derivative instruments:					
NIS / CPI	21	Cash flows discounting	Inflationary expectations	2.20%-5.20%	2.30%
Foreign currency	30	Cash flows discounting	Counter-party credit quality	0.13%-16.87%	0.57%
Contracts for shares	31	Options pricing model	Standard deviation per share	34.26% - 42.41%	40.31%
Other	1,216	Cash flows discounting	Counter-party credit quality	0.30%-3.60%	1.77%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	36	Cash flows discounting	Inflationary expectations	1.56%-2.31%	2.25%
Other	804	Cash flows discounting	Counter-party credit quality	0.30%-2.60%	1.67%

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

E. Information regarding uncertainty of fair value measurements to changes in unobserved data

The main valuation technique of significant unobserved data used in measurement of fair value of assets and liabilities at Level 3 is Discounted Cash Flow. The future cash flows for the instrument is derived from the agreement with the counter-party. The discount rate used to discount the cash flow reflects the Bank's assumptions.

The primary unobserved data used in measurement of fair value of bonds is the price of the bonds.

F. Election of fair value option

Should the Bank elect the fair value option, changes to fair value of investments in certain bonds would be recorded to profit and loss, with bonds classified under the portfolio held for trading, although they had not been purchased for this purpose.

The election of the fair value option was made under the following circumstances:

1. Reduce volatility in profit and loss resulting from changes between the original measurement basis of financial instruments designated at the fair value option, and the measurement basis of derivative financial instruments used to manage risks with respect to such investments.
2. Complexity of implementing hedge accounting.
3. More accurate economic presentation of assets managed on fair value basis.

As of September 30, 2022, September 30, 2021 and December 31, 2021 the Bank did not elect the fair value option.

Note 16 – Other matters

On July 26, 2021, the Bank's Board of Directors, after receiving approval by the Remuneration Committee, approved the offering of options to the Bank President & CEO and to officers of the Bank (other than the Bank President & CEO and Bank Board members) and to key employees and other managers at the Bank and at Bank subsidiaries, as well as pools for option warrant issuance in two additional annual lots in 2022 and in 2023 (hereinafter: "the Outline"). See Note 23 to the 2021 financial statements for additional information.

On June 26, 2022, the Bank allocated pursuant to the Board of Directors' resolution dated May 24, 2022, to the Bank President & CEO, to Bank officers, to key employees and to other managers at the Bank and at Bank subsidiaries, options pursuant to the 2022 outline, as follows:

- Option plan 1 – up to 38,409 options 1 to be awarded to the Bank President & CEO, exercisable for up to 38,409 Bank ordinary shares of NIS 0.1 par value each.
- Option plan A – up to 271,080 options A to be awarded to up to seven Bank officers who are not gatekeepers, exercisable for up to 271,080 Bank ordinary shares of NIS 0.1 par value each.
- Option plan B – up to 155,168 options B to be awarded to up to five Bank officers who are gatekeepers, exercisable for up to 155,168 Bank ordinary shares of NIS 0.1 par value each.
- Option plan C – up to 550,100 options C to be awarded to up to seventeen key Bank employees and up to seventeen key employees at Bank subsidiaries, which have been approved for inclusion in this group, exercisable for up to 550,100 Bank ordinary shares of NIS 0.1 par value each.
- Option plan D – up to 852,750 options D to be awarded to up to fifty-nine managers employed by the Bank by individual contracts, and up to thirty other managers at the Bank and at Bank subsidiaries, which have been approved for inclusion in this group, exercisable for up to 852,750 Bank ordinary shares of NIS 0.1 par value each.
- Option plan E – Up to 1,556,200 options E to be awarded to up to two hundred and sixty-eight managers employed by the Bank subject to collective bargaining agreements, and to up to twenty-one managers at Bank subsidiaries, exercisable for up to 1,556,200 Bank ordinary shares of NIS 0.1 par value each.

The number of options which offerees may actually exercise, pursuant to terms of each plan, would be derived from the eligibility terms set for each plan in the Outline, as follows. Furthermore, allotment of the maximum number of exercise shares is merely theoretical, since in actual fact the Bank would not allot to the offerees the full number of exercise shares arising from the options which the offerees may exercise pursuant to terms of each plan – but only the number of shares reflecting the monetary benefit inherent in those options, based, *inter alia*, on the closing price cap of NIS 163 plus linkage differentials from the known CPI upon approval by the Board of Directors to the known CPI upon the exercise date.

In case of dividend distribution, bonus share distribution, rights issuance, split or reverse split of share capital and re-structuring at the Bank, the adjustments shall be made as set forth in the Outline employee offering.

The options issued in the name of the Trustee on behalf of the Bank President & CEO, pursuant to options plan 1, may be exercised as from the second anniversary of the issue date and would expire 18 months after the vesting date, as defined in the Memorandum.

The options to be issued in the name of the Trustee pursuant to option plans A, B or C shall be divided into three equal lots; The lots may be exercised as from two years after (1) the issue date; (2) April 1, 2025; and (3) April 1, 2026; Each lot shall expire 18 months after each of said dates.

The options to be issued pursuant to option plans D and E may be exercised in a single lot from the second anniversary of the issue date and would expire two years after the vesting date, as defined in the Outline.

An offeree's eligibility for options pursuant to each of option plans would be contingent on the Bank's total capital adequacy ratio and Tier I capital ratio for the award year, would not be lower than the minimum ratios stipulated by Bank of Israel directives.

Moreover, eligibility for options shall be determined based on the following criteria, as set forth in the Outline:

- Options A and options B to be issued to offerees who are officers of the Bank, as noted above, constitute part of these officers' variable remuneration. Officer eligibility to options A or to options B would be determined based on four criteria which are measurable "company-wide criteria" (hereinafter: "the quantitative benchmarks") and based on a qualitative criterion based on supervisor assessment of achievement of individual targets of the officer, all as specified in the outline.
- Eligibility of offerees who are not officers of the Bank to options C and options D, with respect to any bonus year, would be determined exclusively based on the quantitative benchmarks. Eligibility of offerees who are not officers of the Bank to options C and options E, with respect to any bonus year, would be determined based on the quantitative benchmarks and on the quality rating assigned to such offerees, as stated in section 2.12.3 of the Memorandum.

The quantitative benchmarks specified in the option plan are: return on equity, return on Bank shares relative to benchmark, operating efficiency ratio and the core deposit ratio.

Note 16 – Other matters – Continued

The exercise price for each option to be issued pursuant to each of the plans is NIS 118.10 plus CPI linkage differentials, from the known CPI upon approval by the Board of Directors of the issuance of options to the offerees and until the known CPI upon exercise of the option by the offeree. The exercise price is determined based on the average closing price of Bank ordinary shares on the stock exchange over the thirty trading days preceding the approval date by the Board of Directors. Accordingly, note that on the exercise date, an offeree would not be required to pay the exercise price – which would only serve to determine the monetary benefit amount and the number of exercise shares to be actually allotted to the offeree.

In order to calculate the fair value as of the approval date of option issuance by the Board of Directors, as noted above, the terms and conditions of the option plans and the data and assumptions listed in the Outline have been taken into account.

Based on the assumptions listed in the Outline, the fair value of each option warrant to be awarded pursuant to each option plan, as of the approval date of option issuance by the Board of Directors, is as follows:

- Options 1 – NIS 13.33;
- Options A – NIS 13.28;
- Options B – NIS 13.34;
- Options C – NIS 13.09;
- Options D and E – NIS 13.68.

The theoretical benefit value of the options in these approved lots, calculated in accordance with US accounting rules (ASC 718 "Share-based Payment"), amounts to NIS 46 million.

The theoretical lot value shall be recognized in Bank accounts over the vesting period, i.e. from the second quarter of 2022 through the end of the year.

The options were allotted under the "Capital Gain" track, pursuant to the Section 102 of the Income Tax Ordinance. Therefore, any benefit arising to the offerees from exercise of these options will be taxed at the capital gain tax rate applicable to the offerees upon exercise of the options. Therefore, the Bank would not be liable for wages tax with respect to the benefit arising to offerees from exercise of the options pursuant to the option plan. Furthermore, upon payment of tax with respect to this benefit by the offerees, the Bank would not have any tax deductible expense with respect to the aforementioned options.

Note 17 – Events after the balance sheet date

On November 28, 2022, the Bank’s Board of Directors resolved to distribute dividends amounting to NIS 353.4 million, or 30% of earnings in the third quarter of 2022, in conformity with the Bank's dividend policy. The dividends are 1374.3% of issued share capital, i.e. NIS 1.3743 per NIS 0.1 par value share. The effective date for dividends payment is December 6, 2022 and the payment date is December 13, 2022. The final dividends per share is subject to changes due to realized convertible securities of the Bank. According to accounting rules, this amount will be deducted from retained earnings in the fourth quarter of 2022.

Bank Mizrahi Tefahot

Corporate governance, audit, other information about the Bank and its management

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Corporate governance

Board of Directors and management

Board of Directors

Year to date in 2022, the Bank Board of Directors held 13 plenary meetings. During this period there were also 51 meetings of Board committees and 14 Board member workshops.

In 2022, through the issue date of these financial statements, there were no changes to composition of the Board of Directors and Board committees.

Bank management and senior officers

Ms. Shevy Shemer, having served as CEO of Union Bank in the past three years, was appointed VP, Manager of the Retail Division of the Bank as from April 1, 2022, replacing Mr. Israel Engel who concluded their term in office.

Internal Auditor

Information about Internal Audit at the Group, including professional standards applied by Internal Audit, the annual and multi-annual work plan and considerations in setting this plan, the scope of work of the Internal Auditor and their team and reporting of the Internal Auditor's findings are provided in chapter "Corporate governance, audit, other information about the Bank and its management" of the 2021 annual report.

In the reported period there were no material changes to this information.

Transactions with controlling shareholders and related parties

Transactions with related parties were conducted in the normal course of business, at market terms and at terms and conditions similar to those of transactions with parties not related to the Bank.

Controlling shareholders

L.I.N. (Holdings) Ltd.

On September 21, 2022, L.I.N. (Holdings) Ltd. ("L.I.N") transferred to L.A.B.M. (Holdings) Ltd. ("L.A.B.M"), a wholly-owned subsidiary of L.I.N, 40,000 ordinary Bank Mizrahi Tefahot shares of NIS 0.1 par value each, against allocation of additional capital in L.A.B.M, pursuant to Section 104a of the Income Tax Ordinance. For more information see Immediate Report dated September 28, 2022, (reference no. 2022-01-121297).

On October 12, 2022, M.W.Z. (Holdings) Ltd. transferred to F&W Registered Partnership 150,000 shares of Bank Mizrahi Tefahot Ltd. to make up the controlling interest.

These shares are not pledged and are held in trust by a Trustee Company.

For more information see immediate report dated October 23, 2022 (reference no. 2022-01-128869).

Legislation and supervisory directives applicable to Bank Group operations

Laws and regulations

Financial Information Services Law, 2021

In November 2021, as part of the Economic Plan Law (Legislation amendments for implementation of economic policy for 2021 and 2022 budget years), 2021, the Knesset passed the Financial Information Services Law, 2021. The Law became effective on June 14, 2022, but an earlier effective start date has been specified for parts thereof.

The Law complements and expands an arrangement set by the Bank of Israel in Proper Conduct of Banking Business Directive 368 regarding "Open banking".

The Law primarily governs financial information services, including collection of financial information, delivery of financial information to another part and use of financial information for the following services: Providing summary financial information for a customer or anyone on behalf thereof; cost comparison service; brokerage; advisory service with regard to economic conduct; providing an offer by the service provider to contract with the customer with regard to a financial product or a financial service.

Information about a customer account holder may only be provided with consent of the customer. The Law governs how such consent must be obtained and the scope of information to be provided, based on "information baskets" specified in the Law.

The Law imposes mandatory provision of information for several types of information sources, and expands the scope of the arrangement set forth in Proper Conduct of Banking Business Directive 368, such that now this requirement applies not only to banking corporations, but also to institutional investors, Stock Exchange members, portfolio managers, licensed providers of credit services, credit brokerage or credit and deposit services. Typically, such information is provided free of charge.

The Law requires mandatory licensing of financial information service providers. The mandatory licensing does not apply to financial entities which are information sources, including banking corporations, but they are required to obtain approval from the relevant regulator (in the case of the Bank – from the Bank of Israel). Subject to such approval, the Bank may also provide financial information services. The Bank has applied to the Bank of Israel for such approval.

The Law imposes on financial information service providers fiduciary duty and duty of care, mandatory non-disclosure and information security, and further stipulates provisions to avoid conflict of interest, misleading and undue influence. A written agreement with the customer, including proper disclosure, is required. The Law also imposes liability for defective information. The Law stipulates sanctions for certain breaches by service providers or by information sources.

The Bank is preparing to implement the provisions of the Law.

Revision of the Law has no material impact on the Bank's financial statements.

Banking Law (Customer Service) (Amendment no. 34) (Commission cap for housing loan application), 2022

The Law was made public on June 22, 2022, stipulating that a banking corporation may only charge a commission of up to NIS 360 for processing a housing loan application. The Law became effective on August 22, 2022. Bank management estimates that this Law should result in a non-material decrease in Bank revenues from such activity.

Supervisor of Banks

Circulars and public reporting directives

Transition from LIBOR interest

A decision was made to discontinued use of LIBOR for all currencies other than USD by end of 2021. Further to this decision, diverse teams have been set up around the world, in order to determine alternative interest rate benchmarks.

The discontinuation of the use of LIBOR and transition to alternative interest rate benchmarks has wide-ranging implications for all bank customers who hold instruments denominated in or linked to foreign currency and bearing variable interest. There are, naturally, also direct implications for the Bank, such as economic, operating and accounting implications.

On September 30, 2021, the Bank of Israel issued a circular regarding transition from LIBOR interest rates (Proper Conduct of Banking Business Directive 250A). In early 2022, the financial system is expected to discontinue using LIBOR interest rates. The directive includes guidelines for the transition to using alternative interest rates, handling of existing agreements and informing customers. This interim directive is effective as from two weeks after being issued, through December 31, 2023.

The Bank has implemented the Bank of Israel directives on this matter and specified alternative underlying interest rates and has informed the customers of this, both through individual contact with relevant customers and through publications on the Bank website.

Application of this directive has no material impact on the Bank's financial statements.

For more information see Note 1 to the Bank's financial statements.

Open Banking standard implementation in Israel

On February 24, 2020, the Bank of Israel issued a circular containing Proper Conduct of Banking Business Directive 368 "Implementation of Open Banking Standard". The circular describes the evolution of open banking around the world and the standards created, and elaborates legislation in Israel that has resulted in the Supervisor of Banks promoting the open banking project and issuing a directive in this regard. The directive includes instruction for implementation of the open banking standard, rules for quality of service and customer consent, and guidelines for information architecture and security. The directive applies to banks and credit card companies operating in Israel, with respect to individual accounts. The directive further stipulates instruction with respect to corporate governance, including responsibilities of the Board of Directors and senior management in setting policy, appropriate resource allocation and supervision of implementation of the management framework for open banking. The effective start date of this directive is December 31, 2020, except for information about debit cards which is effective as from July 1, 2021 and information about credit, deposits and securities which is effective as from December 31, 2021.

On April 7, 2020, the Bank of Israel issued a circular in view of developments in the Corona Virus outbreak, with revised effective start dates for Proper Conduct of Banking Business Directive 368. The effective start date of this directive was revised to March 31, 2021; the effective start date for information about debit cards was revised to October 10, 2021 and the effective start date for information about credit, deposits and securities was revised to March 31, 2022.

On April 5, 2021, the Bank of Israel issued a circular which delays by a few months the planned implementation, in order to allow for proper reference to various issues raised during preparations for implementation, due to the wish to establish the open banking system. Stage 2 was delayed to January 31, 2022 (from October 10, 2021) and stage 3 was delayed to May 31, 2022 (from March 31, 2022). This delay should allow the banking system to stabilize the services in the system, so that system availability would be robust and its services would provide a response for market demand.

On January 17, 2022, the Bank of Israel issued a circular regarding "Implementation of open banking standard in Israel", which updates the effective start dates of mandatory provision of access to information about customer activity in debit cards, and mandatory provision of access to the customer's checking account for payment initiation, as stipulated in the directive. The schedules for providing access to information about borrowing and deposits were aligned with those set forth in the Law. The effective start date for information about debit cards and payment initiation was revised to March 31, 2022, and the effective start date for information about credit, savings and deposits was revised to October 31, 2022.

On February 23, 2022, the Bank of Israel issued a circular regarding implementation of open banking standard in Israel, amending the directive to align it with provisions set forth in the Financial Information Service Law. The effective start date of the directive is the same as that of the Law. As from June 30, 2023, Chapter H of Proper Conduct of Banking Business Directive 367 would no longer apply to individual accounts, and would continue to apply for information summary services for corporate customers through December 31, 2024.

On May 15, 2022, the Bank of Israel issued a circular regarding implementation of open banking standard in Israel, amending Directive 368 and stipulating provisions with regard to prohibition of receiving benefits and adding Section 57b to the Directive, in conformity with the Supervisor's authority pursuant to the Financial Information Service Law, as well as amendments to the actual standard. The effective start date of Section 57b of the Directive is on the effective start date of the Financial Information Service Law (as of the date of this publication: June 14, 2022).

On July 24, 2022, the Bank of Israel issued a letter regarding implementation of the Financial Information Services Law and the Open Banking standard. The circular emphasizes that banking corporations are required to act as information sources, and in future - as financial information service providers, and to ensure that work processes include at least a policy on service level, implementation of controls for availability and response times, information integrity and quality, implementation of regulatory directives by an internal committee dedicated to this matter and conducting internal audit processes. The letter seeks to review the qualification processes and to ensure that any malfunctions with regard to service or availability are addressed within a reasonable time frame. The Bank is preparing to respond to and implement the directives in this letter.

Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)

On March 19, 2020, the Bank of Israel issued a circular containing Proper Conduct of Banking Business Directive 250 "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)". The directive lists multiple relief measures formulated into an interim directive, in view of the Corona Virus outbreak and its economic implications in Israel and overseas. The adjustments in the directive are designed to provide banks with business flexibility required at this time. Further adjustments to the directive were issued in circulars dated March 31, 2020, April 1, 2020, April 7, 2020, April 27, 2020, May 5, 2020, May 20, 2020, June 1, 2020, June 23, 2020, September 16, 2020, September 22, 2020, November 15, 2020, December 3, 2020, December 17, 2020, January 7, 2021, March 22, 2021, July 19, 2021, July 26, 2021, August 9, 2021, September 30, 2021, December 2, 2021, January 18, 2022 and May 15, 2022. The Bank has applied some of the relief measures listed in the directive, as well as further relief measures based on the Bank's business decisions, including the following:

- Suspension of account and account holder restriction due to checks refused for insufficient funds, as from March 4, 2020 (this suspension was terminated in view of instruction to terminate the suspension period).
- Debit card issue to customers that do not hold a debit card and withdraw their allowance at the branch (this was issued as a non-recurring measure).
- Implementation of instructions with regard to reduced branch opening hours and to reduced operations and movement in the public space (these instructions were gradually rescinded later on, in view of relief made public by the Government. All branches in the banking system were opened to the public and provide all services as provided prior to the crisis. A circular dated January 18, 2022 due to a renewed outbreak of the virus included revised directives with regard to limited branch opening and service provision to customers.

- Relief for restrictions on extending residential mortgages (relief concluded) and on dates for issue of letter of intent and settlement confirmation (elimination of interim directive which allowed the Bank to approve general purpose loans with LTV up to 70%, rather than LTV up to 50%).
- A circular dated December 27, 2021 noted that as from January 1, 2022, the interim directive would expire, except for specific provisions, including revision of Directive 329 with regard to "Restrictions on extending residential mortgages" with respect to calculation of capital requirement.
- Relief for E-banking, providing instructions by telephone and giving precedence in queues to senior citizens (On December 30, 2020, an amendment to Directive 426 with regard to "Providing professional call center service" amended the age of customers to be given precedence in queues, from 75 to 70, under routine conditions as well).
- Delay in repayment of commercial loans and residential mortgages (due to continuation of the Corona Virus pandemic and expansion of the outline to delay loan repayments, on September 30, 2020 the Bank of Israel issued a circular adding reporting directive 889C "Reporting of repayment delay under unusual condition (monthly)".
- On October 11, 2020 and on December 3, 2020, the Supervisor of Banks issued supervisory highlights concerning further changes to loan terms and conditions and regarding the additional outline for repayment delay as part of the Corona Virus pandemic, with regard to risk management, public reporting, classification and internal control.
- On May 15, 2022, the relief provided with regard to leverage ratios was extended through December 31, 2023. 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.

Implementation of this circular had no material impact on the Bank's financial statements.

AML and terror financing risk management

On May 9, 2022, the Bank of Israel issued a circular with regard to AML and terror financing risk management (amendment of Proper Conduct of Banking Business Directive 411). Due to increase in customer activity involving virtual currency and since the Supervisor of Banks regards payment services provided by banking corporations incidental to activity involving virtual currency as carrying high risk with regard to AML and prohibition of terror financing, the amendment to the Directive stipulates the unique requirements of the banking system with regard to AML and prohibition of terror financing risk management associated with providing payment services involving activity in virtual currency.

The Bank applies the updates which became effective on November 9, 2022. Implementation of this circular had no material impact on the Bank's financial statements.

Procedures for extending residential mortgages

On January 31, 2022, the Bank of Israel issued a circular regarding procedures for extending residential mortgages (Proper Conduct of Banking Business Directive 451). The directive stipulates uniform baskets which banking corporations are required to offer to customers. The directive stipulates that the approval in principle would also include 3 uniform baskets, which differ in risk level and frequency. The amendments to the directive include an instruction to banking corporations to provide to the public an online calculator which allows for simulation of various loan mixes over various time frames, including the uniform tracks stipulated in the directive, so as to obtain an estimate of the impact of changes to the loan mix on the monthly payment and total amount payable throughout the loan term.

On July 7, 2022, the Bank of Israel issued a circular with regard to procedures for extending residential mortgages (amendment to Proper Conduct of Banking Business Directive 451), designed in response to questions arising from work by banking corporations on implementation of the requirements in the directive with regard, inter alia, to integration of designated loans in the approval in principle, information provided to customers for review of the viability of early repayment and with regard to content of the online calculator.

The Bank applies the Directive as from August 31, 2022.

Sale of residential mortgages and collaboration in extending residential mortgages

On May 18, 2022, the Bank of Israel issued a circular regarding sale of residential mortgages and collaboration in extending residential mortgages (amendment to Proper Conduct of Banking Business Directive 329B). The directive governs the principles for safeguarding borrower rights in the sold mortgage portfolios, avoiding negative selection that would impact the quality of the Bank's loan portfolio and avoiding development of moral risk for the buying entity.

The directive stipulates requirements for banking corporations, should they extend residential mortgages, to comply with the requirements stipulated in the directive with regard to transaction for sale of loans, syndication and any agreement that governs collaboration in extending residential mortgages.

The Bank applies this directive as from the issue date thereof. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Advanced payment services

On June 13, 2022, the Bank of Israel issued a circular regarding advanced payment services (Proper Conduct of Banking Business Directive 427). Given the significant increase in use of payment applications, there is a need to regulate aspects of disclosure provided to customers by the current acccount manager and/or by the debit card issuer used to conduct the payment transaction. This directive is complementary to provisions of the Payment Services Law and the effective start date of this directive is January 1, 2023.

The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Cloud computing

On June 13, 2022, the Bank of Israel issued a circular regarding cloud computing (Proper Conduct of Banking Business Directive 362). The Supervisor of Banks regards cloud computing services as an instance of outsourcing, and therefore a banking corporation making use of cloud computing services shall be subject to provisions of this directive, as well as to all provisions of the directive regarding outsourcing. The directive makes a distinction between cloud computing, private cloud and material cloud computing. Banking corporations would be required to set policy on the use of cloud services. The amendments to the directive shall apply as from January 1, 2023.

The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Bank's credit rating

On August 28, 2022, Midroog Ltd. (created in partnership with Moody's International, which owns a 51% equity stake) (hereinafter: "Midroog") left the Bank ratings unchanged. Long-term deposits and senior debt of the Bank are rated Aaa.il / Stable outlook.

Contingent subordinated notes with contractual loss-absorption provisions (CoCo), which qualify as Tier II equity in conformity with provisions of Basel III, are rated Aa3.il / Stable outlook.

On July 26, 2022, S&P GLOBAL RATINGS MAALOT LTD (hereinafter: "Maalot") approved the Bank's issuer rating of ilAAA / Stable outlook. According to the rating agency: "Confirmation of Mizrahi Tefahot's rating reflects our view, whereby the bank would continue to benefit from its leadership position in mortgages and from the robust economy".

contingent subordinated notes with contractual loss-absorption provisions (CoCo), which qualify as Tier II equity in conformity with provisions of Basel III, are rated ilAA- by Maalot.

On January 12, 2022, rating agency Fitch Ratings (hereinafter: "Fitch") confirmed the Bank's long-term IDR rating of A with Stable outlook, and the Bank's short-term rating of F1+, and also confirmed the BBB rating of subordinated notes with loss-absorption provisions.

On September 30, 2020, Moody's Investors Services rating agency confirmed the Bank's long-term deposit rating at A2 with Stable outlook.

On July 20, 2022, rating agency S&P Global Ratings (hereinafter: "S&P") confirmed the long-term issuer credit rating of A- and the short-term issuer credit rating of A-2. Positive rating outlook. Moreover, the agency confirmed the BBB- rating of contingent subordinated notes with loss-absorption provisions which qualify as Tier II equity, issued by the Bank on April 7, 2021 by international private placement to institutional investors.

Operating segments

For extensive information about supervisory operating segments, see chapter "Corporate governance, audit, other information about the Bank and its management" of the 2021 financial statements.

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof[(1)]

A. Average balances and interest rates – assets

	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	Average balance[(2)]	Interest revenues	Revenue rate	Average balance[(2)]	Interest revenues	Revenue rate
			in %			in %
Interest-bearing assets						
Loans to the public[(3)]						
In Israel	289,917	[(7)]3,722	5.14	248,218	[(7)]2,663	4.29
Outside of Israel	5,593	88	6.29	3,534	51	5.77
Total	**295,510**	**3,810**	**5.16**	**251,752**	**2,714**	**4.31**
Loans to the Government						
In Israel	324	1	1.23	383	-	-
Outside of Israel	98	2	8.16	133	2	6.02
Total	**422**	**3**	**2.84**	**516**	**2**	**1.55**
Deposits with banks						
In Israel	2,404	3	0.50	1,578	2	0.51
Outside of Israel	202	-	-	192	1	2.08
Total	**2,606**	**3**	**0.46**	**1,770**	**3**	**0.68**
Deposits with central banks						
In Israel	75,029	240	1.28	84,202	18	0.09
Outside of Israel	11,643	68	2.34	9,930	4	0.16
Total	**86,672**	**308**	**1.42**	**94,132**	**22**	**0.09**
Securities borrowed or purchased in resale agreements						
In Israel	1,507	4	1.06	355	-	-
Outside of Israel	-	-	-	-	-	-
Total	**1,507**	**4**	**1.06**	**355**	**-**	**-**
Bonds held to maturity and available for sale[(4)]						
In Israel	11,674	60	2.06	15,107	55	1.46
Outside of Israel	1,031	6	2.33	947	2	0.84
Total	**12,705**	**66**	**2.08**	**16,054**	**57**	**1.42**
Bonds held for trading[(5)]						
In Israel	2,156	19	3.53	340	2	2.35
Outside of Israel	-	-	-	-	-	-
Total	**2,156**	**19**	**3.53**	**340**	**2**	**2.35**
Total interest-bearing assets	**401,578**	**4,213**	**4.20**	**364,919**	**2,800**	**3.07**
Receivables for credit card operations	4,411			4,376		
Other non-interest bearing assets[(6)]	11,470			9,148		
Total assets	**417,459**			**378,443**		
Total interest-bearing assets attributed to overseas operations	**18,567**	**164**	**3.53**	**14,736**	**60**	**1.63**

See footnotes below.

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[1] – Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – assets – Continued

	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	Average balance[2]	Interest revenues	Revenue rate	Average balance[2]	Interest revenues	Revenue rate
			in %			in %
Interest-bearing assets						
Loans to the public[3]						
In Israel	279,718	[7]10,415	4.96	244,107	[7]7,708	4.21
Outside of Israel	4,977	209	5.60	3,434	139	5.40
Total	**284,695**	**10,624**	**4.98**	**247,541**	**7,847**	**4.23**
Loans to the Government						
In Israel	339	4	1.57	292	-	-
Outside of Israel	104	5	6.41	259	8	4.12
Total	**443**	**9**	**2.71**	**551**	**8**	**1.94**
Deposits with banks						
In Israel	2,201	9	0.55	1,516	5	0.44
Outside of Israel	160	1	0.83	185	1	0.72
Total	**2,361**	**10**	**0.56**	**1,701**	**6**	**0.47**
Deposits with central banks						
In Israel	75,828	332	0.58	78,858	49	0.08
Outside of Israel	10,436	96	1.23	10,955	10	0.12
Total	**86,264**	**428**	**0.66**	**89,813**	**59**	**0.09**
Securities borrowed or purchased in resale agreements						
In Israel	1,267	5	0.53	232	-	-
Outside of Israel	-	-	-	-	-	-
Total	**1,267**	**5**	**0.53**	**232**	**-**	**-**
Bonds held to maturity and available for sale[4]						
In Israel	13,203	209	2.11	16,110	159	1.32
Outside of Israel	966	11	1.52	824	6	0.97
Total	**14,169**	**220**	**2.07**	**16,934**	**165**	**1.30**
Bonds held for trading[5]						
In Israel	1,685	22	1.74	402	8	2.65
Outside of Israel	-	-	-	-	-	-
Total	**1,685**	**22**	**1.74**	**402**	**8**	**2.65**
Total interest-bearing assets	**390,884**	**11,318**	**3.86**	**357,174**	**8,093**	**3.02**
Receivables for credit card operations	4,248			4,419		
Other non-interest bearing assets[6]	10,612			6,814		
Total assets	**405,744**			**368,407**		
Total interest-bearing assets attributed to overseas operations	**16,643**	**322**	**2.58**	**15,657**	**164**	**1.40**

See footnotes below.

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries(1) – Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – liabilities and equity

	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	Average balance(2)	Interest expenses (revenues)	Expense (revenue) rate	Average balance(2)	Interest expenses (revenues)	Expense (revenue) rate
			in %			in %
Interest-bearing liabilities						
Deposits from the public						
In Israel						
On-call	48,747	49	0.40	46,087	20	0.17
Term deposits	170,751	990	2.32	148,986	439	1.18
Outside of Israel						
On-call	589	-	-	548	-	-
Term deposits	4,693	27	2.30	3,214	2	0.25
Total	**224,780**	**1,066**	**1.90**	**198,835**	**461**	**0.93**
Deposits from the Government						
In Israel	51	1	7.84	61	1	6.56
Outside of Israel	-	-	-	-	-	-
Total	**51**	**1**	**7.84**	**61**	**1**	**6.56**
Deposits from banks						
In Israel	8,243	8	0.39	6,325	1	0.06
Outside of Israel	361	1	1.11	92	-	-
Total	**8,604**	**9**	**0.42**	**6,417**	**1**	**0.06**
Securities loaned or sold in re-purchase agreements						
In Israel	-	-	-	-	-	-
Outside of Israel	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Bonds and subordinated notes						
In Israel	33,206	434	5.23	34,424	334	3.88
Outside of Israel	-	-	-	-	-	-
Total	**33,206**	**434**	**5.23**	**34,424**	**334**	**3.88**
Other liabilities						
In Israel	4,285	12	1.12	767	2	1.04
Outside of Israel	-	-	-	-	-	-
Total	**4,285**	**12**	**1.12**	**767**	**2**	**1.04**
Total interest-bearing liabilities	**270,926**	**1,522**	**2.25**	**240,504**	**799**	**1.33**
Non-interest bearing deposits from the public	103,578			100,066		
Payables for credit card transactions	5,825			5,545		
Other non-interest bearing liabilities(8)	12,392			10,568		
Total liabilities	**392,721**			**356,683**		
Total equity instruments	**24,738**			**21,760**		
Total liabilities and equity instruments	**417,459**			**378,443**		
Interest spread			**1.95**			**1.74**
Net return on interest-bearing assets(9)						
In Israel	383,011	2,555	2.67	350,183	1,943	2.22
Outside of Israel	18,567	136	2.93	14,736	58	1.57
Total	**401,578**	**2,691**	**2.68**	**364,919**	**2,001**	**2.19**
Total interest-bearing liabilities attributed to overseas operations	**5,643**	**28**	**1.98**	**3,854**	**2**	**0.21**

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries(1) – Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – liabilities and equity – Continued

	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	Average balance(2)	Interest expenses (revenues)	Revenue rate	Average balance(2)	Interest expenses (revenues)	Revenue rate
			in %			in %
Interest-bearing liabilities						
Deposits from the public						
In Israel						
On-call	48,491	75	0.21	44,774	77	0.23
Term deposits	160,194	2,416	2.01	145,968	1,305	1.19
Outside of Israel						
On-call	539	-	-	678	-	-
Term deposits	4,399	36	1.09	3,371	5	0.20
Total	**213,623**	**2,527**	**1.58**	**194,791**	**1,387**	**0.95**
Deposits from the Government						
In Israel	54	1	2.47	57	1	2.34
Outside of Israel	-	-	-	-	-	-
Total	**54**	**1**	**2.47**	**57**	**1**	**2.34**
Deposits from banks						
In Israel	7,372	10	0.18	5,235	3	0.08
Outside of Israel	218	1	0.61	46	-	-
Total	**7,590**	**11**	**0.19**	**5,281**	**3**	**0.08**
Securities loaned or sold in re-purchase agreements						
In Israel	-	-	-	-	-	-
Outside of Israel	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Bonds and subordinated notes						
In Israel	34,853	1,471	5.63	33,660	972	3.85
Outside of Israel	-	-	-	-	-	-
Total	**34,853**	**1,471**	**5.63**	**33,660**	**972**	**3.85**
Other liabilities						
In Israel	2,623	20	1.02	627	3	0.64
Outside of Israel	-	-	-	-	-	-
Total	**2,623**	**20**	**1.02**	**627**	**3**	**0.64**
Total interest-bearing liabilities	**258,743**	**4,030**	**2.08**	**234,416**	**2,366**	**1.35**
Non-interest bearing deposits from the public	104,386			97,447		
Payables for credit card transactions	5,582			4,935		
Other non-interest bearing liabilities(8)	12,330			10,716		
Total liabilities	**381,041**			**347,514**		
Total equity instruments	**24,703**			**20,893**		
Total liabilities and equity instruments	**405,744**			**368,407**		
Interest spread			**1.78**			**1.68**
Net return on interest-bearing assets(9)						
In Israel	374,241	7,003	2.50	341,517	5,568	2.17
Outside of Israel	16,643	285	2.28	15,657	159	1.35
Total	**390,884**	**7,288**	**2.49**	**357,174**	**5,727**	**2.14**
Total interest-bearing liabilities attributed to overseas operations	**5,156**	**37**	**0.96**	**4,095**	**5**	**0.16**

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[1] – Continued

Reported amounts (NIS in millions)

B. Average balances and interest rates – Further information about interest-bearing assets and liabilities attributed to operations in Israel

	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	Average balance[2]	Interest revenues (expenses)	Revenue (expense) rate	Average balance[2]	Interest revenues (expenses)	Revenue (expense) rate
			in %			in %
Israeli currency – non-linked						
Total interest-bearing assets	289,559	2,483	3.43	265,042	1,606	2.42
Total interest-bearing liabilities	176,392	(505)	(1.15)	161,231	(212)	(0.53)
Interest spread			**2.28**			**1.89**
Israeli currency – linked to the CPI						
Total interest-bearing assets	76,026	1,413	7.43	71,174	1,052	5.91
Total interest-bearing liabilities	51,267	(778)	(6.07)	46,520	(528)	(4.54)
Interest spread			**1.36**			**1.37**
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest-bearing assets	17,426	153	3.51	13,967	82	2.35
Total interest-bearing liabilities	37,624	(211)	(2.24)	28,899	(57)	(0.79)
Interest spread			**1.27**			**1.56**
Total – operations in Israel						
Total interest-bearing assets	383,011	4,049	4.23	350,183	2,740	3.13
Total interest-bearing liabilities	265,283	(1,494)	(2.25)	236,650	(797)	(1.35)
Interest spread			**1.98**			**1.78**

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[1] – Continued

Reported amounts (NIS in millions)

B. Average balances and interest rates – Further information about interest-bearing assets and liabilities attributed to operations in Israel – Continued

	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	Average balance[2]	Interest revenues (expenses)	Revenue (expense) rate	Average balance[2]	Interest revenues (expenses)	Revenue (expense) rate
			in %			in %
Israeli currency – non-linked						
Total interest-bearing assets	279,972	6,035	2.87	255,112	4,641	2.43
Total interest-bearing liabilities	168,753	(922)	(0.73)	156,499	(624)	(0.53)
Interest spread			**2.14**			**1.90**
Israeli currency – linked to the CPI						
Total interest-bearing assets	76,520	4,586	7.99	71,148	3,036	5.69
Total interest-bearing liabilities	53,873	(2,693)	(6.67)	48,555	(1,575)	(4.32)
Interest spread			**1.33**			**1.36**
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest-bearing assets	17,749	375	2.82	15,257	252	2.20
Total interest-bearing liabilities	30,961	(378)	(1.63)	25,267	(162)	(0.85)
Interest spread			**1.19**			**1.35**
Total – operations in Israel						
Total interest-bearing assets	374,241	10,996	3.92	341,517	7,929	3.10
Total interest-bearing liabilities	253,587	(3,993)	(2.10)	230,321	(2,361)	(1.37)
Interest spread			**1.82**			**1.73**

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries(1) – Continued

Reported amounts (NIS in millions)

C. Analysis of changes to interest revenues and expenses

	For the three months ended September 30, 2022 compared to the three months ended September 30, 2021			For the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021		
	Increase (decrease) due to change(10)			Increase (decrease) due to change(10)		
	Volume	Price	Net change	Volume	Price	Net change
Interest-bearing assets						
Loans to the public						
In Israel	535	524	1,059	1,326	1,381	2,707
Outside of Israel	32	5	37	65	5	70
Total	**567**	**529**	**1,096**	**1,391**	**1,386**	**2,777**
Other interest-bearing assets						
In Israel	(31)	281	250	(18)	378	360
Outside of Israel	10	57	67	(5)	93	88
Total	**(21)**	**338**	**317**	**(23)**	**471**	**448**
Total interest revenues	**546**	**867**	**1,413**	**1,368**	**1,857**	**3,225**
Interest-bearing liabilities						
Deposits from the public						
In Israel	116	464	580	214	895	1,109
Outside of Israel	8	17	25	6	25	31
Total	**124**	**481**	**605**	**220**	**920**	**1,140**
Other interest-bearing liabilities						
In Israel	42	75	117	178	345	523
Outside of Israel	1	-	1	1	-	1
Total	**43**	**75**	**118**	**179**	**345**	**524**
Total interest expenses	**167**	**556**	**723**	**399**	**1,265**	**1,664**

(1) Information in these tables is after effect of hedging derivative instruments.

(2) Based on balance at start of month (in Israeli currency – non-linked segment: based on daily balances).

(3) Before deduction of average balance sheet balance of provisions for credit losses. Includes impaired debt not accruing interest revenues.

(4) From (to) the average balance of bonds available for sale, for the three-month periods ended September 30, 2022 and September 30, 2021, for the nine-month periods ended September 30, 2022 and September 30, 2021, we deducted / added the average balance of unrealized gains (losses) from adjustment to fair value of bonds available for sale, included in equity under Cumulative Other Comprehensive Income, under "Adjustments with respect to presentation of securities available for sale at fair value", amounting to NIS (562) million, NIS (41) million, NIS (342) million and NIS (27) million, respectively.

(5) From the average balance of bonds held for trade, for the three-month periods ended September 30, 2022 and September 30, 2021, and for the nine-month periods ended September 30, 2022 and September 30, 2021, we deducted / added the average balance of unrealized gains from adjustment to fair value of bonds held for trade amounting to NIS 30 million, NIS 5 million, NIS 15 million and NIS (3) million, respectively.

(6) Includes derivative instruments, other non-interest bearing assets, net of provision for credit losses.

(7) Commissions amounting to NIS 100 million, NIS 181 million, NIS 488 million and NIS 514 million were included in interest revenues for the three-month periods ended September 30, 2022 and 2021 and for the nine-month periods ended September 30, 2022 and 2021, respectively.

(8) Includes derivative instruments.

(9) Net return – net interest revenues divided by total interest-bearing assets.

(10) The change attributed to change in volume was calculated by multiplying the new price and the change in volume. The change attributed to change in price was calculated by multiplying the old volume and the change in price.

Glossary and index of terms included on the financial statements

Below is a summary of terms used on the financial statements:

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

ABC	**ICAAP – Internal Capital Adequacy Assessment Process** by the Bank. The process includes, *inter alia*, setting capital targets, capital planning processes and review of the status of capital under diverse stress scenarios. This process is part of Pillar 2 of the Basel II directive.
	VAR – A model used to estimate total exposure to diverse market risks. The VAR (Value at Risk) obtained by the model is a statistical estimate of the maximum expected loss for the Bank due to materialization of market risks factors in a given time period at a pre-determined statistical confidence level.
	PD (Probability of Default) – Probability (in percent) of a borrower going into default within a specified time.
	LGD (Loss Given Default) – Loss rate from credit should the customer go into default.
B	**Basel – Basel II / Basel III** – A framework for assessment of capital adequacy and risk management, published by the Basel Committee on Bank Supervision.
C	**EVE – Economic Value of Equity** – The economic value approach to analysis and estimation of the effect of changes in interest rates on the fair value of assets, liabilities and off-balance sheet positions of the Bank.
E	**Standard approach** – An approach used to calculate the required capital with respect to credit risk, market risk or operational risk. Calculation of capital allocation is conducted according to a formula based on supervisory assessment components, as specified by the Supervisor of Banks.
	Supervisory capital (total capital) – Supervisory capital consists 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".
J	**Minimum capital ratio** – The ratio represents the minimum supervisory capital ratios which the Bank is required to maintain, pursuant to requirements set forth in Proper Conduct of Banking Business Directive 201.
K	**Subordinated notes** – Notes whose rights are subordinated to claims by other Bank creditors, except for other obligations of the same type.
M	**Stress tests** – Term covering multiple methods designed to assess the financial standing of a banking corporation under a stress scenario.
	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.
N	**Pillar 2** – The second pillar of the Basel II document, referring to the supervisory review process. This part consists of the following underlying principles: The Bank shall conduct an ICAAP process, as defined above. The banking supervision shall conduct a process to assess the bank's capital adequacy assessment process, to review the bank's capacity to monitor and comply with supervisory capital ratios. The bank is expected to operate above the minimum capital ratios specified.
	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.
	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	**CVA – Credit Valuation Adjustment** – CVA is the component of the fair value of a derivative, which accounts for the credit risk of the counter-party to the transaction. CVA risk is the risk of loss from revaluation to market value due to expected counter-party risk for over-the-counter (OTC) derivatives. This means loss due to impairment of fair value of derivatives, due to increase in counter-party credit risk (such as: lowered rating).
	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.
SH	**Loan To Value Ratio (LTV)** – The ratio between the approved facility when extended and the asset value.

Terms with regard to banking and finance

A	**Off-balance sheet credit** – Contracting for providing credit and guarantees (excluding derivative instruments).
	Bonds – Securities which are issuer obligations to pay to bond holders the issued principal and interest upon set dates or upon fulfillment of certain conditions.
H	**Indebtedness** – On- and off-balance sheet credit, as defined in Proper Conduct of Banking Business Directive 313.
	Debt secured by collateral – Impaired debt expected to be repaid by realizing collateral provided to secure such debt.
	Debt under re-structuring – Problematic debt under re-structuring is defined as debt for which, for economic or legal reasons related to financial difficulties of the debtor, the Bank has made a concession by way of modification to terms of the debt, designed to ease the burden on the debtor of cash payments in the near term (reduction or deferral of cash payments due from the debtor), or by way of receiving other assets as debt repayment (in whole or in part).
	Debt under special supervision – Debt under special supervision is debt with potential weaknesses that require special attention from Bank management. If such weaknesses are not addressed, the likelihood of debt repayment may deteriorate.
	Inferior debt – Inferior debt is debt insufficiently secured by collateral or by debtor repayment capacity, and for which the Bank may incur a loss if faults are not corrected, including debt over NIS 700 thousand which is 60-89 days in arrears.
	Impaired debt – Debt is classified as impaired debt when payment of principal or interest with respect to such debt is in arrears 90 days or loner, unless the debt is well secured and is in a collection process. Furthermore, any debt whose terms and conditions have been modified in re-structuring of problematic debt shall be classified as impaired debt, unless prior to and following such re-structuring, a provision for credit losses by extent of arrears has been made for such debt, in conformity with appendix to Proper Conduct of Banking Business Directive 314 regarding problematic debt in residential mortgages.
	Problematic debt – Debt classified under one of the following negative classifications: special supervision, inferior or impaired.
J	**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.
M	**Financial instrument** – A contract that creates a financial asset for one entity and a financial liability or capital instrument for another entity.
	Average duration – Average duration of bonds. Measured in years, by weighting principal and interest payments for the bond over time, through final maturity. The average duration of bonds reflects sensitivity of the financial instrument to changes in interest rates. Average duration is calculated as the ratio of weighted average payments to price of the bond.
N	**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.
S	**Syndication** – Loan extended jointly by a group of lenders.
SH	**Active market** – Market where transactions in an asset or liability are conducted with sufficient frequency and volume to provide regular information about pricing of assets and liabilities.

Terms with regard to regulatory directives

ABC	**FATCA – Foreign Accounts Tax Compliance Law** – The US Foreign Accounts Tax Compliance Law stipulates mandatory reporting to the US tax authority (IRS) of accounts held by US persons with foreign financial institutions (outside the USA).
	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 capacity to meet its liquidity needs for the coming month.

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