CONDENSED CONSOLIDATED FINANCIAL REPORTS
AS OF 30.09.2023

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MIZRAHI TEFAHOT

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

Bank Mizrahi Tefahot

Condensed quarterly financial statements
As of September 30, 2023

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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Condensed Report of the Board of Directors and Management on Financial Statements as of September 30, 2023

Introduction

Early on October 7, 2023, the sound of air raid sirens and missiles broke the peaceful atmosphere on the Sabbath and Simchat Tora, signaling the start of a murderous surprise attack launched from the Gaza Strip into Israel. Thousands of terrorists raided towns and military bases close to the Gaza Strip border, with but one desire: to carry out an unprecedentedly cruel spree of murder, rape and kidnapping of civilians and soldiers. In response, the Government declared a State of War (Iron Swords), with the primary objectives of freeing those kidnapped and bringing them back home, and elimination of the Hamas rule over Gaza. Concurrently, military escalation started on the Northern border as well, and the IDF is prepared to anticipate any developments on this front, as well. Bank Mizrahi Tefahot bows in respect to the families of those murdered and of IDF fallen soldiers in the war, praying for the safe return home of all those kidnapped, and sending wishes of speedy recovery to all wounded civilians and soldiers. Just like many civilians, NGOs, organizations and companies, the Bank, too, immediately took part in the national endeavor: in direct support for impacted populations, primarily in the Gaza border area – including through adoption of Sderot and Kfar Aza, and by taking initiative on banking relief, designed to support and to help Bank customers, who were directly or indirectly affected by these events, to overcome the challenging period.

At this stage, it is difficult to assess how long the war would last and how it may develop, as well as implications thereof on economic activity.

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

The Board of Directors of Mizrahi Tefahot Bank Ltd., at its meeting held on November 27, 2023, 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, 2023.

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, 2022 and Note 1 to these condensed financial statements).

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

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

This additional information of which:

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

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

Forward-looking information

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

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

Forward-looking information typically includes words or expressions such as: "we assume", "expected", "forecasted", "estimate", "intend", "plan", "may change" and similar expressions, as well as nouns such as: "plan", "objectives", "desire", "should", "may", "will be". Such forward-looking expressions involve risk and uncertainty, as they are based on current Bank assessments with regard to future events, which include the following: Forecasts of economic developments in Israel and worldwide, especially the state of the economy, including the effect of macroeconomic and geopolitical 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 2023, 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 2022 audited annual financial statements.

Condensed financial information and key performance indicators for the Bank Group

	2023			2022			
	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	2,959	3,181	3,146	2,952	2,691	2,453	2,144
Non-interest financing revenues	341	250	87	198	263	176	117
Commissions and other revenues	568	564	593	569	579	574	952
Total revenues	**3,868**	**3,995**	**3,826**	**3,719**	**3,533**	**3,203**	**3,213**
Expenses with respect to credit losses	694	247	227	191	155	107	79
Operating and other expenses	1,415	1,521	1,437	1,814	1,529	1,442	1,388
Of which: Payroll and associated expenses	902	1,009	931	1,194	1,002	924	909
Pre-tax profit	1,759	2,227	2,162	1,714	1,849	1,654	1,746
Provision for taxes on profit	624	779	747	580	635	572	569
Net profit(1)	**1,098**	**1,398**	**1,367**	**1,087**	**1,178**	**1,053**	**1,154**

	Nine months		All of
	2023	2022	2022
	NIS in millions		
Statement of profit and loss – key items			
Interest revenues, net	9,286	7,288	10,240
Non-interest financing revenues	678	556	754
Commissions and other revenues	1,725	2,105	2,674
Total revenues	**11,689**	**9,949**	**13,668**
Expenses with respect to credit losses	1,168	341	532
Operating and other expenses	4,373	4,359	6,173
Of which: Payroll and associated expenses	2,842	2,835	4,029
Pre-tax profit	6,148	5,249	6,963
Provision for taxes on profit	2,150	1,776	2,356
Net profit(1)	**3,863**	**3,385**	**4,472**

(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.

Group net profit in the third quarter of 2023 amounted to NIS 1,098 million, compared to NIS 1,178 million in the corresponding period last year – decrease by 6.8%. This reflects a 16.8% annualized return on equity, compared to 20.8% in the corresponding period last year.

Net profit for the Group in the first nine months of 2023 amounted to NIS 3,863 million, compared to NIS 3,385 million in the corresponding period last year – an increase by 14.1%. This reflects a 20.3% annualized return on equity, compared to 20.6% in the corresponding period last year and 20.1% for all of 2022. Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first nine months of 2022 is 18.9% and in all of 2022 – 19.0%.

The following major factors affected Group profit in the third quarter and in the first nine months of 2023 over the corresponding period last year:

- Total financing revenues in the first nine months of 2023 increased by 27.0% over the corresponding period last year, primarily due to increase by NIS 19.5 billion, or 6.4%, in loans to the public compared to September 30, 2022, 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 under "Analysis of Development in financing revenues" below.

- Other revenues in the first nine months of 2022 included capital gain amounting to NIS 371 million (recognized in the first quarter of 2022).

- Expenses with respect to credit losses in the third quarter of 2023 amounted to NIS 694 million, compared to NIS 155 million in the corresponding period last year, and in the first nine months of 2023 amounted to NIS 1,168 million, compared to NIS 341 million in the corresponding period last year. The increase in provisions in the third quarter of 2023 is mostly due to group-based provision for credit losses, recognized so as to reflect the increase in credit risk in the market due to the war, though no material indicators of increase in this risk have been seen to date.

  For more information see chapter "Policies and critical accounting estimates" below. The increase in provision over the year was also due to increase in the group-based provision due to growth of the Bank's loan portfolio and higher risk in the market primarily due to the higher interest rates.

- In the first nine months of 2023, operating and other expenses increased by onlly 0.3% compared to the corresponding period last year.

  Operating expenses in the first nine months of 2023 were impacted, *inter alia*, by the payroll agreement signed with the employee union, and by completion of the Union Bank merger into Bank Mizrahi Tefahot, which resulted in termination of some employees of the former Union Bank, closure of some Union Bank branches and reduced IT expenses.

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

	As of September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
							NIS in millions
Balance sheet – key items							
Total assets	438,289	432,722	434,110	428,292	429,767	416,969	394,045
Loans to the public, net	323,590	316,925	312,319	307,472	304,104	298,233	282,917
Cash and deposits with banks	81,645	83,746	90,240	93,673	95,596	81,330	84,666
Securities	19,007	19,865	19,348	15,144	14,379	22,384	16,967
Buildings and equipment	1,447	1,438	1,399	1,503	1,410	1,421	1,400
Deposits from the public	351,034	345,191	348,469	344,514	345,339	327,884	312,653
Bonds and subordinated notes	36,655	36,546	34,608	33,287	31,352	35,173	36,045
Deposits from banks	5,008	6,541	7,284	6,994	7,725	8,515	6,850
Shareholders' equity(1)	26,459	25,814	24,844	23,780	22,989	22,166	21,199

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

- Total assets as of September 30, 2023 amounted to NIS 438.3 billion, an increase by NIS 8.5 billion, or 2.0%, compared to September 30, 2022.
- Loans to the public, net as of September 30, 2023 amounted to NIS 323.6 billion, an increase by NIS 19.5 billion, or 6.4%, compared to September 30, 2022.
- Deposits from the public as of September 30, 2023 amounted to NIS 351.0 billion, an increase by NIS 5.7 billion, or 1.6%, compared to September 30, 2022.
- Shareholders' equity as of September 30, 2023 amounted to NIS 26.5 billion, an increase by NIS 3.5 billion, or 15.1%, compared to September 30, 2022. 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)

	2023			2022			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Key performance benchmarks							
Net profit return on equity[1][2]	16.8	22.0	22.4	18.5	20.8	19.4	[9]21.9
Net profit return on risk assets[1][2][3]	1.64	2.15	2.15	1.77	1.96	1.82	2.07
Return on average assets[2]	1.01	1.29	1.27	1.01	1.11	1.04	1.17
Deposits from the public to loans to the public, net	108.5	108.9	111.6	112.0	113.6	109.9	110.5
Ratio of Tier I equity to risk components	10.12	10.23	10.12	9.94	9.92	10.00	10.01
Leverage ratio[4]	5.78	5.73	5.53	5.42	5.26	5.23	5.31
Liquidity coverage ratio (Quarterly)[5]	138	128	126	118	119	120	120
Net stable funding ratio[6]	113	115	113	115	116	114	116
Ratio of revenues to average assets[2]	3.55	3.69	3.55	3.47	3.34	3.16	3.27
Cost-income ratio – operating expenses to total revenues[7] (Cost Income Ratio)	36.6	38.1	37.6	48.8	43.3	45.0	[9]43.2
Basic net earnings per share (in NIS)	4.27	5.43	5.32	4.23	4.59	4.11	4.50
Key credit quality benchmarks							
Ratio of balance of provision for credit losses to total loans to the public	1.19	1.01	0.98	0.93	0.91	0.88	0.89
Ratio of non-accruing debts or debts in arrears 90 days or longer to loans to the public	0.99	0.90	0.88	0.87	0.91	0.94	1.13
Expenses with respect to credit losses to loans to the public, net for the period[2]	0.86	0.31	0.29	0.25	0.20	0.14	0.11
Net accounting write-offs as percentage of average loans to the public[2]	0.04	0.12	0.07	0.22	0.05	0.06	0.03
Other information							
Share price (in NIS) at end of quarter	138.1	123.3	112.6	113.9	125.5	115.5	125.2
Dividends per share (in Agorot)[8]	190	159	127	137	123	–	106
Ratio of net interest revenues to average assets[2]	2.72	2.94	2.92	2.75	2.54	2.42	2.18
Ratio of commissions to average assets[2]	0.46	0.46	0.49	0.47	0.49	0.50	0.53

	Nine months		All of
	2023	2022	2022
Key performance benchmarks			
Net profit return on equity[1][2]	20.3	[9]20.6	[9]20.1
Net profit return on risk assets[1][2][3]	1.97	1.95	1.91
Return on average assets[2]	1.19	1.11	1.08
Ratio of revenues to average assets[2]	3.60	3.25	3.32
Cost-income ratio – operating expenses to total revenues[7] (Cost Income Ratio)	37.4	[9]43.8	[9]45.2
Basic net earnings per share (in NIS)	15.01	13.26	17.47
Key credit quality benchmarks			
Expenses with respect to credit losses to loans to the public, net for the period[2]	0.48	0.15	0.17
Net accounting write-offs as percentage of average loans to the public[2]	0.08	0.05	0.09
Other information			
Dividends per share (in Agorot)[8]	476	229	366
Ratio of net interest revenues to average assets[2]	2.86	2.38	2.48
Ratio of commissions to average assets[2]	0.47	0.51	0.50

Financial ratios indicate as follows:

- Net profit return on equity in the first nine months of the year was 20.3%, primarily due to increase in activity volume and to impact of higher interest and inflation.
- The ratio of Tier I capital to risk components increased to 10.12%. The minimum ratio required of the Bank is 9.60%.
- The cost-income ratio in the first nine months of 2023 was 37.4%.

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

(1) Any mention of "net profit" or "equity" in this Board of Directors' Report refers to net profit and equity attributable to shareholders of the Bank.
(2) Annualized.
(3) Net profit to total average risk assets.
(4) Leverage Ratio – ratio of Tier I capital (according to Basel rules) to total exposure. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 218.
(5) Liquidity Coverage Ratio – ratio of total High-Quality Liquid Assets to net cash outflow. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 221, in terms of simple averages of daily observations during the reported quarter.
(6) Net stable funding ratio – a liquidity ratio stipulated by the Supervisor of Banks, in conformity with recommendations of the Basel Committee, designed to maintain a sustainable financing structure over time, in addition to the liquidity coverage ratio. Calculated based on total net stable funding required for 12 months, derived from all Bank uses, to total net stable funding available for 12 months, calculated for all Bank sources.
(7) Total operating and other expenses to total operating and financing revenues and expenses with respect to credit losses.
(8) The dividends per share is calculated based on the amount of the dividends actually distributed in the reported period.
(9) Excluding effect of capital gain, net from sale of assets, net profit return on equity and the cost-income ratio in 2022 were 19.0% and 45.5%, in the first nine months of 2022: 18.9% and 45.5% and in the first quarter of 2022: 16.6% and 48.8%, respectively.

Key risks

On October 7, 2023, after the balance sheet date, war was declared following a sudden murderous rampage into settlements close to the Gaza Strip border. This was concurrently with the start of military escalation on the Northern border.

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

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, strategic-business risk and regulatory-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 2022 Report by the Board of Directors and Management.

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

Business goals and strategy

Strategic plan

For more information about the Bank's business goals and strategy for 2021-2025, see chapter "Business goals and strategy" of the 2022 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.
- On May 3, 2023, the Bank Board of Directors, after approval by the Remuneration Committee, approved the offering of options to the Bank President & CEO and to officers of the Bank (other than Bank Board members) and to other managers at the Bank and at subsidiaries of the Bank, with respect to 2023. See Note 16 to the financial statements for additional information.

Raising of capital sources

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

Developments in financing sources

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

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

Deposits

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

Deposits from the public for the Group as of September 30, 2023 amounted to NIS 351.0 billion, compared to NIS 344.5 billion at end of 2022. In the first nine months of 2023, deposits from the public in the NIS-denominated, non-CPI linked segment decreased by 0.7%; deposits in the CPI-linked segment increased by 12.6%; and deposits denominated in or linked to foreign currency increased by 9.2%. For more information see chapter "Analysis of developments in assets, liabilities, equity and capital adequacy" below.

Issuance of obligatory notes, bonds and complex capital notes

The Bank acts to raise long-term sources through issuances, including through Mizrahi Tefahot Issuance Company Ltd. (hereinafter: "Tefahot Issuance"), a wholly-owned subsidiary of the Bank. Over the years, Tefahot Issuance has issued bonds to the public pursuant to published prospectuses.
On August 1, 2022, Tefahot Issuance published a shelf prospectus for issuance of bonds. On May 4, 2023, the Bank issued a shelf prospectus for issuance of obligatory notes. These prospectuses are valid for two years, with an optional extension by a further one year.
As of September 30, 2023, total bonds and subordinated notes amounted to NIS 36.7 billion, compared to NIS 33.3 billion as of December 31, 2022.
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, 2023, amounted to NIS 6.1 billion, compared to NIS 6.0 billion as of December 31, 2022.

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

Issuance and redemption of funding sources

On February 20, 2023, Tefahot Issuance issued commercial paper (Series 1) for NIS 1.1 billion.

On June 12, 2023, Tefahot Issuance issued a new series of NIS-denominated CPI-linked bonds (Series 67), with total par value of NIS 2.0 billion, for consideration amounting to NIS 2.0 billion.

On October 22, 2023, after the balance sheet date, Tefahot Issuance conducted complete early redemption of CoCo subordinated notes (Series 48), with total par value of NIS 0.7 billion.

Significant developments in management of business operations

Assistance to those affected by the war

On October 7, 2023, after the balance sheet date, the Iron Swords war was declared following a sudden murderous rampage into settlements close to the Gaza Strip border. This was concurrently with the start of military escalation on the Northern border.
The Bank is prepared to continue its operations and to provide service to its customers, including in war-affected zones, in as much as possible. For more information see chapter "Operational risk" below.
Concurrently, the Bank takes part in the national endeavor and has announced the allocation of funds for charitable donations and assistance to civilians affected by the war, and has launched programs to provide relief to Bank customers, with emphasis on customers resident in war-affected regions, so as to help them get through this war period and its economic implications. For more information see also chapter "Significant developments in management of business operations".

Charitable donations and adoption of Sderot and Kfar Aza – Immediately upon the outbreak of war, the Bank provided monetary donations to fund the purchase of equipment, food and other urgent needs of those residents adjacent to the Gaza Strip (up to 7 kilometers from the Gaza border), of soldiers and of volunteers. Concurrently, the Bank announced its decision to adopt Sderot and Kfar Aza, providing a solution for needs of these towns and the residents thereof over the immediate, medium and long term, especially in areas where the Government is not involved. Bank teams have already met with relevant parties in these two towns, to jointly map out the needs and projects in which the Bank would take part, and have started providing funds for financing these. Concurrently, a program would be put in place to provide resolution for matters to be addressed in later stages, including action to rebuild the area and to return to normal life. The estimated amount allocated by the Bank for charitable donations, and for the adoption of the towns and other benefits to its residents extended to the residents thereof is NIS 90 million.

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

Relief and banking benefits to Bank customers – In order to help Bank customers get through this challenging period, the Bank decided in October 2023 to offer a range of solutions to provide assistance and relief to Bank customers, substantially larger than the basis set by the Supervisor of Banks, including the following:

- Automatic waiver of mortgage payments for several months for residents of the Gaza border area, and option to freeze mortgage payments for several months in addition, with no interest or linkage and at no cost;
- Freezing of mortgage payments, free of interest, linkage and fees, for a further 3 months beyond the Bank of Israel outline (for a total of 6 months) for Bank customers resident in the Northern region, who have been evacuated from their homes by order of the Government;

- Freeze on mortgage payments for up to 12 months, and on other loan payments for up to 3 months, for all Bank customers;
- Waiver of interest payable on debit balances of up to NIS 10,000 for individual customers resident in the Gaza border area or in the Northern border region, or those affected by the war or relatives thereof;
- Waiver of fees for 3 months, for individual and small business customers who are resident in the Gaza border region or in the Northern border region, serving in the military reserve forces or those affected by the war or relatives thereof;
- Increase of checking account facilities for individual customers at Bank branches in the Southern region, up to NIS 30 thousand;
- Loans to help customers facing liquidity issues due to the war: Loans to individual customers up to NIS 25 thousand and loans to business owners, up to NIS 50 thousand, free of interest and linkage, for a term of up to 1 year.
- Bridging loan for customers whose cars were impacted: financing of up to 100% LTV, free of interest and fees, for 3 months – to bridge the period until they receive compensation from the Government property tax fund;
- Option to withdraw from term deposits, up to NIS 100 thousand, at no cost for residents of the conflict zones in the South and in the North;
- Bonus of up to NIS 20 thousand to business customers in the Gaza border region and loans to business customers through diverse funds and State-guaranteed loans.

Furthermore, in order to assist businesses and professionals from the Southern region, whose economic activity was significantly impacted (or fully disrupted), the Bank created a platform named "Orange. Israel" on the Bank website, allowing them to advertise their services at no cost, thus gaining exposure with customers and potential buyers all across Israel.

The estimated value of relief and banking benefits extended to all Bank customers, beyond the aforementioned amount, is NIS 450 million, assuming full utilization of all benefits offered to the relevant population.

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

Benefits to help bank customers

On June 28, 2023, further to the statement issued by the Bank of Israel on June 20, 2023, the Bank offered a bundle of benefits to customers, as from July 2023 and for the next 12 months, in conformity with specified criteria. These benefits include a bonus for mortgage borrowers, interest paid on credit balances in current accounts subject to criteria, reduced interest on debit accounts in individual accounts, continued benefit of interest waived on part of the debit balance, up to the monthly repayment amount for mortgage customers, and offset of credit balances against debit balances in current accounts for eligible customers.

Concurrently, the Bank continues to be proactive in proposing to customers the option to re-finance loans, to adjust their payment schedule and so forth, in order to help mortgage customers who suffer a significant increase in monthly loan repayment due to higher interest rates in the market.

Significant developments in human resources and administration

Changes to management and organizational structure of the Bank

On February 12, 2023, the Bank Board of Directors approved the recommendation by the Bank President & CEO, to appoint Mr. Ofer Hurwitz, who served as Bank Secretary and Head of the Bank Headquarters, to be Deputy CEO and Manager, Risks Control Division, replacing Mr. Doron Klauzner who retired. The Supervisor of Banks announced that they had no objection to this appointment, subject to putting in place a training program on risk management; The Board of Directors' Risk Management Committee approved such a program and completed

Mr. Hanan Kikuzashvili, who served as Deputy Bank Secretary, was appointed Bank Secretary and Head of Bank Headquarters, replacing Mr. Ofer Hurwitz. Ms. Meital Harush, who served as Manager, LIVE and Direct Banking Sector, was appointed Deputy CEO and Manager, Human Capital and Resources Division, replacing Mr. Nissan Levi, who concluded their term in office as Manager, Human Capital, Resources and Operations Division. The Board of Directors also approved the creation of two new sectors: Banking Operation Sector and Enterprise-Wide Projects Sector, whose managers were appointed part of Bank management. The Banking Operation Sector, which includes inter alia the back-office operations, engineering and banking processes, clearing house and mortgage insurance agency, is headed by Mr. Micha Argaman, who served as Deputy Manager of the Human Capital, Resources and Operations Division. The Enterprise-Wide Projects Sector, which is responsible inter alia for the Bank's digital operations, further implementation and deployment of the new CRM system and collaboration with FinTech companies, is headed by Mr. Tal Ben Ari, until recently VP and Manager, Finance Division of Union Bank.

These appointments and re-organization became effective on April 1, 2023.

Signing of special collective bargaining agreement with Mizrahi Tefahot Employee Union

On June 26, 2023, the Bank and Mizrahi Tefahot Employee Union signed a special collective bargaining agreement for 2022-2026.

Highlights of this agreement regarding salary and bonuses are as follows:
- An additional NIS 1,000 was paid on top of each employee's monthly salary, as well as an additional NIS 200 for branch employees, for the period as from January 1, 2022. These amounts would be linked to the Consumer Price Index as from January 1, 2023.
- Additional pay to employees in certain roles, such as Team Leader and Authorized Signatory.
- The parties agreed that the base salary would be increased by 3% in each year between 2023-2024 and by 2% in each year between 2025-2026.
- Social benefit contributions were revised so as to expand the base salary for retirement contributions and, in addition, the base salary for contributions to study funds was made identical to that for retirement contributions.
- On September 1, 2023, the Bank paid a bonus to employees hired prior to January 1, 2022 (who are still employed by the Bank), whose amount equals two 13th monthly salaries; employees hired on or after January 1, 2022 (who are still employed by the Bank) paid a bonus equal to one 13th monthly salary.

Various understandings were reached to enhance the Bank's managerial flexibility and to promote excellence, especially in consideration of current challenges, including changes in the labor market, innovation in the banking domain and to support achievement of the Bank's strategic targets. These include, *inter alia*:
- Increase in number of individual employment contracts at Bank headquarters.
- Potential individual award of pay increase to headquarters employees, subject to certain conditions.
- Extension of the trial period for a specified number of employees, up to 5 years.
- Option to reassign employees at the Bank's discretion.
- Option to terminate up to 70 employees, initiated by the Bank due to unsuitability of employees classified as making a low contribution, during the term of this agreement.
- Considering the expected transition of Bank headquarters employees to the new Bank campus in Lod, the parties agreed that work conditions (including with respect to employee welfare) in the new campus would be determined by the Bank exclusively, after consulting the employee union. The employee union shall have no claims whatsoever with respect to transition to the new campus.
- Full and complete labor relations would be maintained throughout the term of the agreement.

Concurrently with signing of this agreement, the Bank and the employee union signed an agreement to institute a voluntary retirement program, effective through December 31, 2027. Terms and conditions of this voluntary retirement program are essentially similar to those of the retirement program concluded on December 31, 2021.

The Bank's financial statements include the effect of the payroll agreement. The Bank assumes that this agreement should not materially impact the Bank's financial statements in 2023 nor in subsequent years. Payroll expenses at the Bank for all of 2023 should include NIS 85 million with respect to the agreement, and should increase by a further NIS 30-45 million in each year between 2024-2026.

Union Bank employee onboarding agreements

On March 30, 2023, two agreements were signed that govern matters of onboarding and assignment of regular employees and trainees at the former Union Bank, their onboarding conditions, principles for pay conversion, bonuses, insurance coverage, pension rights, representations of the Associations and provisions for transition and performance. The parties to the agreement are Mizrahi Tefahot Employees' Association and Managers' Association (one agreement with the Employees' Association at the Bank; and another – with the Manager's Association at the Bank), the Labor Union, the Association of Former Union Bank Employees and the Association of Former Union Bank Managers and Authorized Signatories.

Appointment of Bank Yahav CEO

On February 26, 2023, the CEO of Bank Yahav, Mr. Shaul Gelbard, informed the Bank Yahav Board of Directors of their wish to conclude their term in office. In April, the Bank Yahav Board of Directors approved the appointment of Mr. Avshalom Buskila as CEO of Bank Yahav, effective as from July 1, 2023. In the past decade, Mr. Avshalom Buskila was Head of Northern Region at Bank Mizrahi Tefahot.

Other matters

Monetary sanction

On February 6, 2023, the Supervisor of Banks announced their decision to impose on the Bank a monetary sanction, amounting to NIS 700 thousand, for alleged breach of Section 25 of Proper Conduct of Banking Business Directive 450 regarding "Debt collection proceedings", which requires a banking corporation to report to the Court Order Execution Service any receipt on account of debt other through the Service, within seven days of receiving it.

The amount of the monetary sanction imposed has been reduced, from the original amount of NIS 1 million, which the Supervisor of Banks advised the Bank of their intention to impose due, inter alia, to the fact that in the five years prior to this breach, no monetary sanctions were imposed on the Bank, and given the Bank's action to remedy these deficiencies and to avoid their recurrence, after the Bank was contacted by the Supervisor of Banks on this matter.

Harel Insurance Investments & Financial Services Ltd.

On April 4, the Bank reported that Harel Insurance Investments & Financial Services Ltd. stopped being an interested party in the Bank (for more information, see Immediate Report dated April 4, 2023, reference 2023-01-038769).

Amendment of bylaws

On September 5, 2023, the General Meeting of Bank shareholders approved amendment of bylaws 1.1, 142, 143, 144 and 145 of the Bank Bylaws, with regard to officer indemnification and insurance. This is so as to allow for insurance and indemnification due to payment to the injured party due to breach and due to expenses with respect to an administrative proceeding, including reasonable litigation expenses and legal fees, in conformity with provisions of the Financial Information Services Law, 2021 and the Payment Services and Payment Initiation Regulation Law, 2023.

Amendment of letter of waiver and commitment to indemnification

On September 5, 2023, the General Meeting of Bank shareholders approved an amendment of the letter of waiver and commitment to indemnification by the Bank for Board members and other officers, including the Bank's President & CEO and controlling shareholders of the Bank and their relatives, as well as employees who serve from time to time, including those who have served in the past or would be appointed in future.

The amendment stipulates, *inter alia*, that the commitment to indemnification would also apply in these cases: (1) Financial liability imposed due to payment to the injured party due to breach, as set forth in Section 52 (54)(a)(1)(a) of the Securities Law, pursuant to the Financial Information Services Law and pursuant to provisions of the Payment Services and Payment Initiation Regulation Law. (2) Expenses, including reasonable litigation expenses and legal fees, with respect to a proceeding pursuant to Chapter E (titled "Monetary sanction"), or a proceeding pursuant to Chapter F (titled "Imposition of administrative enforcement measures by the Administrative Enforcement Committee") of the Financial Information Services Law (or any other proceeding pursuant to this law), as amended from time to time. (3) Expenses, including reasonable litigation expenses and legal fees, with respect to a proceeding pursuant to Chapter G (titled "Monetary sanction"), or a proceeding pursuant to Chapter H (titled "Imposition of administrative enforcement measures by the Administrative Enforcement Committee") of the Payment Services and Payment Initiation Regulation Law (or any other proceeding pursuant to this law), as amended from time to time. The list of events in the addendum to the letter of commitment was also revised.

Pursuant to a resolution by the Audit Committee dated July 17, 2023 and to approval by the General Meeting of Bank shareholders, the resolution to approve the amended letter of commitment, with regard to its applicability to controlling shareholders of the Bank and relatives thereof, would be brought for re-approval no later than three years after aproval by the General Meeting of Bank shareholders (i.e. after September 5, 2023), as required by law. The resolution to approve the amended letter of commitment, with regard to its applicability to all other eligible parties other than controlling shareholders of the Bank and relatives thereof, would be brought for re-approval no later than 9 years after aproval by the General Meeting of Bank shareholders (i.e. after September 5, 2023).

For more information see Immediate Report dated July 27, 2023, (reference: 2023-01-086163), Immediate Report dated September 5, 2023 (reference 2023-01-103332) and Immediate Report dated September 5, 2023 (reference 2023-01-103356).

Legal Proceedings

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

Explanation and analysis of results and business standing

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

Trends, phenomena and material changes

General environment and impact of external factors on the Bank Group

Effects of the war

On October 7, 2023, after the balance sheet date, war was declared following a sudden murderous rampage into settlements close to the Gaza Strip border. This was concurrently with the start of military escalation on the Northern border. Like many civilians, NGOs and companies in the business sector, the Bank also immediately took part in the national endeavor and decided on a range of steps designed to support and assist settlements adjoining the Gaza Strip and the Northern border impacted by the state of war, as well as Bank customers nation-wide who were directly or indirectly impacted by the state of war and economic implications thereof.

In view of the war events, economic uncertainty is prevalent. There are many disruptions to economic operations, which may impact the economy – including impact to business activity, absence from work and so forth. Note that even prior to this war, there was uncertainty with regard to the economy due to macro-economic conditions and Government plans to promote changes to the judicial system and the public disagreement with regard to this move. Due to these security events, Government defense expenditure is expected to increase – which would increase the budget deficit, and there is concern about impact to economic growth. As the war started, the capital market reacted with declines on the Israeli stock exchange and the NIS was significantly devalued against the USD – but in November, these effects became more moderate.

Due to the higher systemic risk in the economy due to the war, the overall risk assessment at the Bank also increased, although for most risks, no significant indications have yet been identified that support actual increase in risk, and in particular with respect to material risks that may be impacted by the war, including credit, financial, business continuity, cyber and information security risk. For more information see chapter "Risks Overview" below.

For more information about the increase in group-based provision for credit losses in the third quarter of 2023, designed to reflect assessment of increased credit risk in the economy due to the war, and for assumptions and sensitivity analysis performed by the Bank, see chapter "Material developments in revenues, expenses and other comprehensive income" and chapter "Accounting policies for critical matters".

For more information about Bank actions to adopt Sderot and Kfar Aza, as well as relief and banking benefits extended to Bank customers, see chapter "Significant developments in management of business operations" above.

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

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 2022 Report of the Board of Directors and Management.

Developments in the Israeli and global economy in 2023

Israeli economy

On October 7, 2023, after the balance sheet date, war was declared following a sudden murderous rampage into settlements close to the Gaza Strip border. This was concurrently with the start of military escalation on the Northern border. This war has extensive economic implications due to impact to real activity and due to increased volatility in financial markets. Impact to real activity is evidenced in significant decrease in household spending by credit cards, decrease in business activity due to many being called up for military reserve service, shutdown of the school system and impact to the sense of security nation-wide, and in particular in areas close to the war fronts.

Increased volatility in financial market was evidenced in the first days of the war by devaluation of the NIS, higher yields on Israeli Government bonds due to the higher risk premium, as well as declines in equity markets. The Bank of Israel announced plans to sell foreign currency (up to USD 30 billion), so as to moderate the fluctuations in NIS exchange rates and to provide liquidity required for continued normal market operation. One month into the war, the Bank of Israel used USD 8.2 billion out of the planned total.

The war is expected to result in significant economic cost: the direct cost of the war, expenses with respect to business continuity and assistance provided to households, and payment of compensation for damage to property. Concurrently, Government revenues are expected to decline due to impact to economic activity. This is expected to result in a higher budget deficit and a higher debt to GDP ratio for Israel.

There is considerable uncertainty with regard to the extent of economic impact, as this would depend on the duration of and developments in the war. Furthermore, as from the first quarter of 2023, there has been uncertainty in the Israeli economy, in view of Government plans to promote changes to the judicial system and the public disagreement with regard to this move. During this period of uncertainty, volatility in NIS exchange rates and in equity markets in Israel increased at certain times.

Real developments

Economic activity in Israel remained stable in the third quarter of 2023, although some indicators were somewhat more moderate. Current indicators reflect continued moderate growth in the third quarter, prior to the outbreak of war. In the first nine months of 2023, the GDP in Israel grew by an annualized 3.3%, following strong growth by 6.4% in all of 2022.

According to a revised forecast by the Bank of Israel Research Division dated October 2023, after the war started, GDP in Israel is expected to grow by 2.3% in 2023 and by 2.8% in 2024.

The Bank of Israel Composite Index increased in the January to September of this year at an annualized 1.6% prior to the outbreak of war, following an increase by 2.4% in 2022.

Immediately prior to the war, the labor market in Israel was at full employment. But due to the war, the broad unemployment rate– the unemployed, and those employed but temporarily absent from work due to economic reasons,– reached 9.6%. This compares to unemployment rate of 3.2% (those aged 15 and higher, net of seasonality) in September 2023 and 4.2% in December 2022. The number of vacant jobs in the market in October was 93 thousand jobs, compared to a high reading of 114 thousand jobs in September 2023.

Inflation and exchange rates

In the third quarter, inflation was slightly more moderate. In the first nine months of this year, the Consumer Price Index increased by 2.5%, compared to an increase by 4.1% in the corresponding period last year. In the 12 months ended October 2023, the CPI increased by 3.7%, higher than the Bank of Israel target range. Expectations in the capital market for the next 12 months are within the Bank of Israel target range.

In the first nine months of this year, the NIS was devalued by 7.8% vs. the USD. The NIS devaluation trend increased inflationary pressures in Israel.

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

	September 30, 2023	December 31, 2022	Change in %
Exchange rate of:			
USD (in NIS)	3.824	3.519	8.7
EUR (in NIS)	4.053	3.753	8.0

On November 17, 2023, the USD/NIS exchange rate was 3.728 – a 2.5% revaluation compared to September 30, 2023. The EUR/NIS exchange rate on this date was 4.048 – a revaluation by 0.1% since September 30, 2023.

Monetary policy

Through mid 2023, in view of the high inflation environment, the stable economic activity and the tight labor market, the Bank of Israel gradually raised interest rates. This was similar to trends at many central banks around the world. In May 2023, the Bank of Israel interest rate reached 4.75%, compared to 3.25% at the end of 2022. As the war broke out, in October 2023, the Bank of Israel resolved to keep its interest rate un-changed.

Fiscal policy

In the first ten months of 2023, the Government budget recorded a NIS 27 billion cumulative deficit, compared to NIS 30 billion budget surplus in the corresponding period last year. The deficit rate as percentage of GDP for the 12 months ended in October 2023 was 2.6%. In the first ten months of 2023, Government expenditure increased by 10.3% compared to the corresponding period last year; Excluding expenses for addressing the Corona Virus crisis, Government expenditure increased by 12.5%. Tax collection decreased by a nominal 5.6% compared to the corresponding period last year.

On October 17, 2023, international rating agency Fitch announced it was placing Israel's rating on Negative Watchlist, due to change in the risk perception in view of the war and the potential for expansion of the conflict to other regions over an extended period. The rating agency emphasized that this is not a major scenario, but should it materialize – it may further exacerbate the existing implications.

On October 19, 2023, Moody's rating agency announced its decision to place Israel's credit rating under rating watch negative. This means that in case of significant deterioration in the security situation, the agency may lower this credit rating.

On November 20, 2023, Moody's issued the annual report, noting that it was maintaining Israel's credit rating at A1 / Stable outlook under negative watch, so as to review risk associated with the war and its implications for the economy (in April 2023, Moody's reduced the rating outlook from Positive to Stable, due to implications of the judicial reform).

On October 24, 2023, S&P rating agency confirmed Israel's credit rating and outlook at AA-, but lowered its rating outlook from Stable to Negative.

Residential construction and the mortgage market

According to data from the Central Bureau of Statistics, new apartments sold (net of seasonal effect) in the first nine months of 2023 was 23.3 thousand apartments, a decrease by 29.0% over the corresponding period last year and by 45.3% over the corresponding period in 2021. In the first ten months of 2023, residential mortgages extended to the public amounted to NIS 60.5 billion, compared to NIS 103.0 billion in the corresponding period last year and NIS 93.5 billion in the corresponding period in 2021 – a decrease by 41% and 35%, respectively.

According to data from the Central Bureau of Statistics, owned housing prices in the 12 months ended August 2023 decreased by 0.2%, following an increase by 16.9% in 2022 and an increase by 11.5% in 2021.

Capital market

Trading on Israeli equity markets in major indexes in the third quarter of 2023 was positive, as opposed to the negative trend in trading on stock exchanges in the USA and world-wide.

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

	2023			2022			
CPI	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Tel-Aviv 35	5.5	0.6	(3.2)	(2.2)	0.5	(9.5)	2.2
Tel-Aviv 125	5.6	2.9	(4.8)	(3.8)	–	(10.2)	2.0
Tel-Aviv 90	5.1	9.3	(9.0)	(7.9)	(1.7)	(11.6)	2.3

Average daily trading volume in equities and convertible securities in the third quarter of 2023 was NIS 1.9 billion, compared to NIS 2.2 billion in the corresponding period last year. Average daily trading volume in equities and convertible securities in the first nine months of 2023 was NIS 2.0 billion, compared to NIS 2.4 billion.

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

	2023			2022			
CPI	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
All-Bond general	(0.4)	1.9	–	(0.6)	(2.2)	(2.3)	(3.4)
Government bonds, CPI-linked	(2.5)	1.0	0.7	(0.8)	(2.5)	(3.0)	(3.9)
Government bonds, non-linked	(1.0)	0.8	(0.4)	(0.2)	(2.3)	(2.1)	(4.5)
Tel-bond 20	(0.2)	2.5	0.3	(1.1)	(2.5)	(3.8)	(3.0)
Tel-bond 40	0.4	2.4	0.5	(1.0)	(1.9)	(2.8)	(2.5)

Global economy

According to the IMF forecast dated October 2023, global GDP growth in 2023 should be 3.0% – higher by 0.2 percentage point from the previous forecast, and compared to 3.5% growth in 2022. Although the revised 2023 forecast was slightly increased, it remains low by historical perspective. This is due to the effect of restrictive monetary policy by central banks, in view of the relatively high core inflation compared to targets set by these central banks.

In the first nine months of 2023, the US economy grew by an annualized 2.6%, compared to growth by 2.1% in all of 2022. In 2022, the inflation rate rose to a record of 9.1% for the 12 months ended in June 2022, and since then has decreased, to 3.7% in September 2023. The high inflation rate caused the FED to continue to gradually increase the monetary interest rate, from 4.25% in early 2022 to 5.5% at end of July 2023. As of the end of October 2023, this interest remained un-changed. The Purchasing Manager index in the services sector indicated expansion in the third quarter of this year, while the Purchasing Manager indexes in the industrial sector indicated moderate contraction. The unemployment rate in September 2023 was at 3.8%, similar to its level immediately prior to the COVID crisis.

On August 1, 2023, rating agency Fitch reduced the long-term credit rating of the USA, from AAA to AA+ with Stable outlook. This was due to the high debt level and expectations of deterioration in the fiscal situation.

On November 10, 2023, Moody's rating agency lowered the USA rating outlook from Stable to Negative, due to increased risk to fiscal stability, emphasizing the need to take measures in order to reduce government expenditure or to increase revenues.

GDP in the Euro Zone in the first nine months of 2023 increased at an annualized 0.3%, compared to 3.4% growth for all of 2022. The inflation rate was more moderate at 4.3% for the 12 months ended September 2023, after reaching 10.6% in October 2022. In view of the high inflation rate, the ECB has gradually raised its monetary interest rate, with interest on deposits reaching 4.5% at end of September 2023. The Purchasing Manager indexes in the industrial and services sectors indicate contraction in the third quarter of this year.

China's economy grew in the first nine months of 2023 at an annualized 5.3%, following growth by 3.0% in 2022. This increased growth rate of China's economy was due to elimination of travel restrictions early this year.

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

	2023			2022			
CPI	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Dow Jones	(2.6)	3.4	0.4	15.4	(6.7)	(11.3)	(4.6)
S&P 500	(3.7)	8.3	7.0	7.1	(5.3)	(16.5)	(5.0)
NASDAQ 100	(3.1)	15.2	20.5	(0.3)	(4.6)	(22.5)	(9.1)
DAX	(4.7)	3.3	12.3	14.9	(5.2)	(11.3)	(9.3)
FTSE 100	1.0	(1.3)	2.4	8.1	(3.8)	(4.6)	1.8
CAC	(3.6)	1.1	13.1	12.4	(2.7)	(11.1)	(6.9)
Nikkei	(4.0)	18.4	7.5	0.6	(1.7)	(5.1)	(3.4)

Major and emerging risks

The Bank's business activity exposes the Bank to various financial and non-financial 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 processes conducted by the Bank to map and identify risk, the Bank reviews major risks, existing or new ones, 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, or risks which may materialize over the longer term, with uncertainty about their nature and impact on the Bank. The risks mapping is regularly reviewed to ensure that it encompasses all risk associated with business operations at the Bank, and risk arising from market conditions and regulatory requirements.

Prior to this war, there was uncertainty with regard to the economy due to macro-economic conditions and Government plans to promote changes to the judicial system and the public disagreement with regard to this move. The war has increased economic uncertainty, and consequently affects the Bank's risk assessment and risk profile. Changes to risk assessment and to the Bank's risk profile are set forth below in chapter "Risks overview".

On October 19, 2023, Moody's rating agency announced it was placing Israel's credit rating under rating watch negative. One week later, the agency announced it was considering lowering the short-term and long-term ratings of the top five banks in Israel, due to concern about impact of the war on the Israeli economy. On November 20, 2023, Moody's issued the annual report, noting that it was maintaining Israel's credit rating at A1 / Stable outlook under negative watch, so as to review risk associated with the war and its implications for the economy (in April 2023, Moody's reduced the rating outlook from Positive to Stable, due to implications of the judicial reform).

On October 17, 2023, Fitch rating agency announced that it was placing Israel's credit rating (currently at A+) under rating watch negative, due to change in perception of the geo-political risk arising from the war. This announcement means that the agency intends to frequently monitor security developments in the region, which may result in negative rating action within the next six months, in case of significant deterioration in the security situation. Alternatively, in absence of such deterioration, the rating would be removed from the rating watch negative. On October 20, 2023, the agency announced that due to placing Israel's credit rating under rating watch negative, it would be placing the long-term rating (IDR) of the top five banks in the system under rating watch negative (RWN).

On October 24, 2023, S&P rating agency announced that it was lowering Israel's credit rating outlook from Stable to Negative. S&P maintains the highest rating of the three agencies, at AA-. According to S&P, the credit rating may be lowered should the military conflict be substantially expanded. Consequently, the Bank's rating was also placed on rating watch negative.

For more information, including analysis of major risks to which the Bank is exposed and an overview of their management and evolution in the reported period, see chapter "Risks Overview" below, the Risks Report for the first nine months of 2023 and the Risks Report for 2022, available on the Bank website:
www.mizrahi-tefahot.co.il > About the Bank > Investor Relations > Financial Information.

Events after the balance sheet date

On October 7, 2023, after the balance sheet date, war was declared following a sudden murderous rampage into settlements close to the Gaza Strip border. This was concurrently with the start of military escalation on the Northern border.

Concurrently, the Bank started review of means to provide relief and assistance to settlements adjoining the Gaza Strip and the Northern border impacted by the state of war, as well as Bank customers across the country who were directly or indirectly impacted by the state of war and economic implications thereof. In this context, assistance was provided to civilians in the conflict zones, as well as a range of relief options provided to Bank customers impacted by these events, including bonuses, deferment of loan payments free of interest, exemption from making mortgage payments and bank fees, loans at preferential terms and so forth.

In conformity with the Supervisor of Banks' circular dated November 9, 2023, calculation of the provision for credit losses on these financial statements includes the anticipated effect of this war, as known soon prior to publication of the financial statements.

As of the issue date of these financial statements, this war is still ongoing. Consequently, Bank results may be affected by various factors where it is impossible to tell how they would develop, including: duration of the war, macro-economic benchmarks including unemployment and growth rates, changes to capital markets and to exchange rates and the utilization rate of benefits offered to customers.

For more information about dividend distribution with respect to earnings of the third quarter of 2023, 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

For more information about a conservative estimate of the overall effect on group-based provision for credit losses due to the war started on October 7, 2023 and its potential implications on economic activity in general and on Bank customers in particular, including provisions with respect to future developments in the economy and in the Bank's loan portfolio, see chapter "Policies and critical accounting estimates" below.

Material developments in revenues, expenses and other comprehensive income

Group net profit in the third quarter of 2023 amounted to NIS 1,098 million, compared to NIS 1,178 million in the corresponding period last year – decrease by 6.8%. This reflects a 16.8% annualized return on equity, compared to 20.8% in the corresponding period last year.

Net profit for the Group in the first nine months of 2023 amounted to NIS 3,863 million, compared to NIS 3,385 million in the corresponding period last year – an increase by 14.1%. This reflects a 20.3% annualized return on equity, compared to 20.6% in the corresponding period last year and 20.1% for all of 2022. Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first nine months of 2022 is 18.9% and in all of 2022 – 19.0%.

Analysis of developments in revenues, expenses and other comprehensive income

Net interest revenues and non-interest financing revenues[1] in the third quarter of 2023 amounted to NIS 3,300 million, compared to NIS 2,954 million in the corresponding period last year, an increase by 11.7%.
Net interest revenues and non-interest financing revenues[1] in the first nine months of 2023 amounted to NIS 9,964 million, compared to NIS 7,844 million in the corresponding period last year, an increase by 27.0%.

Net interest revenues and non-interest financing revenues[1] **from current operations** in the third quarter of 2023, amounted to NIS 2,937 million, as described below, compared to NIS 2,626 million in the corresponding period last year, an increase by 11.8%.

Net interest revenues and non-interest financing revenues[1] from current operations in the first nine months of 2023, excluding the effect of Union Bank, amounted to NIS 8,841 million, as described below, compared to NIS 6,556 million in the corresponding period last year, an increase by 34.9%.

The increase in operating revenues in the first nine months of 2023 was due to increase in activity: increase by 6.4% in loans to the public compared to the corresponding period last year and to increase in Bank of Israel interest rates (as from April 2022) and interest of the US Federal Reserve (as from March 2022).

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

	2023			2022				Change rate in %
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Third quarter of 2023 to third quarter of 2022
Interest revenues, net	2,959	3,181	3,146	2,952	2,691	2,453	2,144	
Non-interest financing revenues[1]	341	250	87	198	263	176	117	
Total financing revenues	**3,300**	**3,431**	**3,233**	**3,150**	**2,954**	**2,629**	**2,261**	**11.7**
Net of:								
Effect of the Consumer Price Index	212	387	308	270	267	379	228	
Revenues from interest collected with respect to problematic debts	13	11	9	12	22	20	13	
Gains (losses) from bonds, shares and real investments	(8)	18	(44)	(12)	25	(48)	32	
Effect of accounting treatment of derivatives at fair value and others[2]	146	53	18	(19)	14	182	154	
Total effects other than from current operations	**363**	**469**	**291**	**251**	**328**	**533**	**427**	
Total financing revenues from current operations	**2,937**	**2,962**	**2,942**	**2,899**	**2,626**	**2,096**	**1,834**	**11.8**

	Nine months		Change rate
	2023	2022	(In %)
Total financing revenues	9,964	7,844	27.0
Total effects other than from current operations	1,123	1,288	
Total financing revenues from current operations	**8,841**	**6,556**	**34.9**

(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 (exepenses), 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			
Operating segment	**2023**	**2022**	**Change amount**	**Change rate (In %)**
Private individuals:				
Households – residential mortgages	709	611	98	16.0
Households – other	981	603	378	62.7
Private banking	79	49	30	61.2
Total individuals	**1,769**	**1,263**	**506**	**40.1**
Business operations:				
Small and micro businesses	683	496	187	37.7
Medium businesses	155	110	45	40.9
Large businesses	297	213	84	39.4
Institutional investors	48	78	(30)	(38.5)
Total business activity	**1,183**	**897**	**286**	**31.9**
Financial management	238	713	(475)	(66.6)
Total activity in Israel	**3,190**	**2,873**	**317**	**11.0**
Overseas activity	110	81	29	35.8
Total	**3,300**	**2,954**	**346**	**11.7**

	Nine months			
Operating segment	**2023**	**2022**	**Change amount**	**Change rate (In %)**
Private individuals:				
Households – residential mortgages	2,060	1,823	237	13.0
Households – other	2,847	1,399	1,448	–
Private banking	249	102	147	–
Total individuals	**5,156**	**3,324**	**1,832**	**55.1**
Business operations:				
Small and micro businesses	1,994	1,263	731	57.9
Medium businesses	488	306	182	59.5
Large businesses	878	555	323	58.2
Institutional investors	154	162	(8)	(4.9)
Total business activity	**3,514**	**2,286**	**1,228**	**53.7**
Financial management	987	2,028	(1,041)	(51.3)
Total activity in Israel	**9,657**	**7,638**	**2,019**	**26.4**
Overseas activity	307	206	101	49.0
Total	**9,964**	**7,844**	**2,120**	**27.0**

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

	Third quarter			Nine months		
Linkage segment	**2023**	**2022**	**Change in %**	**2023**	**2022**	**Change in %**
Israeli currency – non-linked	294,511	289,559	1.7	293,431	279,972	4.8
Israeli currency – linked to the CPI	85,134	76,026	12.0	83,590	76,520	9.2
Foreign currency (including Israeli currency linked to foreign currency)	14,385	17,426	(17.5)	15,943	17,749	(10.2)
Total	**394,030**	**383,011**	**2.9**	**392,964**	**374,241**	**5.0**

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	**2023**	**2022**	**2023**	**2022**
Israeli currency – non-linked	2.20	2.19	2.21	2.11
Israeli currency – linked to the CPI	1.63	1.59	1.63	1.40
Foreign currency	0.79	1.27	0.88	1.19
Total	**1.79**	**1.94**	**1.92**	**1.79**

(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 for non-linked NIS and for CPI-linked NIS is primarily due to the higher interest rates, resulting in higher margin on deposits compared to the corresponding period last year.

In the foreign currency sector, the higher FED interest rate affected the cost of sources. Net revenues from derivative assets are excluded from the interest margins shown above. Adding these revenues would make the decrease in foreign currency interest margins more moderate.

The overall decrease in interest spread is primarily due to the lower inflation than in the corresponding period last year, and to benefits and relief in financing terms provided to customers due to the higher interest rates.

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

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

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

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

Expenses with respect to credit losses in the third quarter of 2023 amounted to NIS 694 million, compared to NIS 155 million in the corresponding period last year, and in the first nine months of 2023 amounted to NIS 1,168 million, compared to NIS 341 million in the corresponding period last year. The increase in provisions in the third quarter of 2023 is mostly due to group-based provision for credit losses, recognized so as to reflect the increase in credit risk in the market due to the war, though no material indicators of increase in this risk have been seen to date. For more information see chapter "Policies and critical accounting estimates" below. The increase in provision over the year was also due to increase in the group-based provision due to growth of the Bank's loan portfolio and higher risk in the market primarily due to the higher interest rates.

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

	Third quarter		Nine months	
	2023	**2022**	**2023**	**2022**
Expenses with respect to credit losses on individual basis (including accounting write-offs)				
Increased expenses	163	141	471	332
Decreased expenses	(85)	(94)	(238)	(199)
Total individual expense for credit losses	**78**	**47**	**233**	**133**
Expenses for credit losses on group basis(1)				
with respect to residential mortgages	172	36	235	88
Other	444	72	700	120
Total group expense for credit losses	**616**	**108**	**935**	**208**
Total expenses with respect to credit losses	**694**	**155**	**1,168**	**341**
Rate of the expenses with respect to credit losses as percentage of total loans to the public, net (annualized)	**(1)0.86%**	**0.20%**	**0.48%**	**0.15%**
Of which: With respect to commercial loans other than residential mortgages	**(1)1.74%**	**0.43%**	**1.04%**	**0.30%**
Of which: with respect to residential mortgages	**(1)0.34%**	**0.07%**	**0.15%**	**0.06%**
Rate of the expenses with respect to individual provision for credit losses, as percentage of total loans to the public, net (annualized):	**0.10%**	**0.06%**	**0.10%**	**0.06%**

(1) Includes group-based provision for credit losses, recognized so as to reflect the increase in credit risk in the market due to the war, though no material indicators of increase in this risk have been seen to date.

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	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Private individuals:								
Households – residential mortgages	172	36	235	88	0.34	0.07	0.15	0.06
Households – other	120	20	262	52	1.74	0.30	1.27	0.26
Private banking	(1)	1	–	1	(4.08)	2.90	–	0.97
Total individuals	**291**	**57**	**497**	**141**	**0.50**	**0.10**	**0.29**	**0.09**
Business operations:								
Small and micro businesses	165	31	372	56	1.92	0.36	1.44	0.21
Medium businesses	65	28	71	53	2.12	0.92	0.77	0.58
Large businesses	128	41	158	77	1.48	0.60	0.61	0.37
Institutional investors	2	2	2	1	0.30	0.21	0.10	0.04
Total business activity	**360**	**102**	**603**	**187**	**1.72**	**0.52**	**0.96**	**0.32**
Financial management	8	–	8	–	–	–	–	–
Total activity in Israel	**659**	**159**	**1,108**	**328**	**0.84**	**0.21**	**0.47**	**0.15**
Overseas activity	35	(4)	60	13	1.68	(0.25)	0.96	0.27
Total	**694**	**155**	**1,168**	**341**	**0.86**	**0.20**	**0.48**	**0.15**

(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 amounted to NIS 909 million in the third quarter of 2023, compared with NIS 842 million in the corresponding period last year – an increase by NIS 67 million.
Non-interest revenues amounted to NIS 2,403 million in the first nine months of 2023, compared with NIS 2,661 million in the corresponding period last year – a decrease by NIS 258 million, primarily due to capital gain of NIS 371 million recorded in the first quarter of 2022.

Non-interest financing expenses in the third quarter of 2023 amounted to NIS 341 million, compared to NIS 263 million in the corresponding period last year.

Non-interest financing revenues in the first nine months of 2023 amounted to NIS 678 million, compared to NIS 556 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 in the third quarter of 2023 amounted to NIS 506 million, compared to NIS 519 million in the corresponding period last year – a decrease by 2.5%.

Commission revenues amounted to NIS 1,535 million in the first nine months of 2023, compared with NIS 1,547 million in the corresponding period last year – a decrease by 0.8%.

The decrease in commission revenues is primarily due to decrease in securities commissions, due to decline in trading volume and to financing business commissions, due to decline in guarantee commissions due to decline in activity.

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

	Third quarter		Nine months		All of
	2023	**2022**	**2023**	**2022**	**2022**
Account management	113	113	340	339	440
Activities involving securities	58	60	181	201	336
Conversion differences	83	87	266	255	258
Commissions from financing transactions	73	82	220	229	311
Credit cards	71	64	201	188	260
Credit processing(1)	39	40	112	119	157
Other commissions	69	73	215	216	290
Total commissions	**506**	**519**	**1,535**	**1,547**	**2,052**

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

Other revenues in the third quarter of 2023 amounted to NIS 62 million, compared to NIS 60 million in the corresponding period last year.

Other revenues in the first nine months of 2023, amounted to NIS 190 million compared with NIS 558 million in the corresponding period last year. 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.

Other revenues include 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 third quarter of 2023 amounted to NIS 1,415 million, compared to NIS 1,529 million in the corresponding period last year, a decrease by 7.5%.

Operating and other expenses in the first nine months of 2023 amounted to NIS 4,373 million, compared to NIS 4,359 million in the corresponding period last year, an increase by only 0.3%.

For details by operating expense component, see below.

Payroll and associated expenses in the third quarter of 2023 amounted to NIS 902 million, compared to NIS 1,002 million in the corresponding period last year – a decrease by 10.0%.

Payroll and associated expenses in the first nine months of 2023 amounted to NIS 2,842 million, compared to NIS 2,835 million in the corresponding period last year, an increase by 0.2%.

Payroll expenses were primarily affected by the payroll agreement signed with the employee union, by termination of employment of some former Union Bank employees and by adjustment of variable remuneration components due to the financial results.

Maintenance and depreciation expenses for buildings and equipment amounted to NIS 274 million in the third quarter of 2023, compared with NIS 240 million in the corresponding period last year, an increase by NIS 34 million.

Maintenance and depreciation expenses for buildings and equipment in the first nine months of 2023 amounted to NIS 852 million, compared with NIS 731 million in the corresponding period last year – an increase by NIS 121 million.

The increase in Maintenance and depreciation expenses for buildings and equipment is due to non-recurring write-down of assets.

Other expenses in the third quarter of 2023 amounted to NIS 239 million, compared to NIS 287 million in the corresponding period last year – a decrease by 16.7%.

Other expenses amounted to NIS 679 million in the first nine months of 2023, compared with NIS 793 million in the corresponding period last year – a year-over-year decrease by 14.4%.

The decrease in other expenses is primarily due to cost savings arising from the merger of Union Bank into Bank Mizrahi Tefahot.

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

	2023			2022			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Cost Income Ratio	36.6	38.1	37.6	48.8	43.3	45.0	(2)43.2

	Nine months		All of
	2023	2022	2022
Cost Income Ratio	37.4	(2)43.8	(2)45.2

(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 all of 2022, in the first nine months and in the first quarter of 2022 was 46.4%, 45.5% and 48.8%, respectively.

Pre-tax profit for the Group in the third quarter of 2023 amounted to NIS 1,759 million, compared to NIS 1,849 million in the corresponding period last year, a decrease by 4.9%.

Pre-tax profit for the Group amounted to NIS 6,148 million in the first nine months of 2023, compared with NIS 5,249 million in the corresponding period last year – an increase by 17.1%. For a detailed explanation, see above.

The provision rate for taxes on profit in the third quarter of 2023 was 35.5% – compared to 34.3% in the corresponding period last year.

The provision rate for taxes on profit in the first nine months of 2023 was 35.0% – compared to 33.8% in the corresponding period last year.

Bank share of after-tax profit of associates – in the third quarter of 2023 there was no profit with respect to associates, compared to profit of NIS 2 million in the corresponding period last year.

Bank share of after-tax profit of associates – in the first nine months of 2023 the Bank recognized gain with respect to associates amounting to NIS 1 million, compared to NIS 4 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 2023 amounted to NIS 37 million, compared to NIS 38 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 2023 amounted to NIS 136 million, compared to NIS 92 million in the corresponding period last year.

The increase in Bank Yahav profit is due to increase in interest revenues due to increase in activity and to increase in interest rates.

Net profit attributable to Bank shareholders in the third quarter of 2023 amounted to NIS 1,098 million, compared to NIS 1,178 million in the corresponding period last year.

Net profit attributable to shareholders of the Bank in the first nine months of 2023 amounted to NIS 3,863 million, compared to NIS 3,385 million in the corresponding period last year.

Other comprehensive income – Changes to the Bank's shareholders' equity are due to Group net profit, as well as to other changes that do not impact net profit, including changes to fair value of bonds available for sale, and changes to actuarial obligations with respect to benefits to Bank employees, net of tax effect. These effects increased the Bank's shareholders' equity in the third quarter of 2023 by NIS 15 million, compared to decrease by NIS 58 million in the corresponding period last year.

In the first nine months of 2023, these effects increased the Bank's shareholders' equity by NIS 6 million, compared to decrease by NIS 249 million in the corresponding period 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 %):

	2023			2022			
	Third quarter	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Net profit return on equity	16.8	22.0	22.4	18.5	20.8	19.4	(5)21.9
Ratio of Tier I equity to risk components at end of quarter	10.12	10.23	10.12	9.94	9.92	10.00	10.01
Liquidity coverage ratio (Quarterly)	138	128	126	118	119	120	120
Leverage ratio at end of quarter	5.78	5.73	5.53	5.42	5.26	5.23	5.31

	Nine months		All of
	2023	**2022**	**2022**
Net profit return on equity	20.3	(5)20.6	(5)20.1

(1) Annualized.
(2) Return on average shareholder equity, including "all equity instruments", as presented under reported revenue and expense rates, net of average balance of rights of external shareholders and less/plus the average balance of unrealized loss/gain from fair value adjustment of bonds held for trading and of bonds available for sale.
(3) Liquidity Coverage Ratio – ratio of total High-Quality Liquid Assets to net cash outflow. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 221, in terms of simple averages of daily observations during the reported quarter.
(4) Leverage Ratio – ratio of Tier I capital (according to Basel rules) to total exposure. This ratio is calculated in conformity with Proper Conduct of Banking Business Directive 218.
(5) Excluding effect of capital gain, net from sale of assets, net profit return on equity in 2022, in the first nine months and in the first quarter of 2022 is 19.0%, 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
	2023	**2022**	**2023**	**2022**	**2022**
Basic earnings per share	4.27	4.59	15.01	13.26	17.47
Diluted earnings per share	4.24	4.56	14.95	13.19	17.38
Dividends per share	190	123	476	229	366

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
	2023	2022	2022	2022	2022
Total assets	438,289	429,767	428,292	2.0	2.3
Cash and deposits with banks	81,645	95,596	93,673	(14.6)	(12.8)
Loans to the public, net	323,590	304,104	307,472	6.4	5.2
Securities	19,007	14,379	15,144	32.2	25.5
Buildings and equipment	1,447	1,410	1,503	2.6	(3.7)
Deposits from the public	351,034	345,339	344,514	1.6	1.9
Deposits from banks	5,008	7,725	6,994	(35.2)	(28.4)
Bonds and subordinated notes	36,655	31,352	33,287	16.9	10.1
Shareholder's equity	26,459	22,989	23,780	15.1	11.3

Cash and deposits with banks – the balance of cash and deposits with banks decreased in the first nine months of 2023 by NIS 12.0 billion, as part of on-going management of Bank liquidity.

Loans to the public, net – loans to the public, net as of September 30, 2023 accounted for 74% of total assets, compared to 72% at the end of 2022. Loans to the public, net in the first nine months of 2023 increased by NIS 16.1 billion, or 5.2%.

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

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

				Change in % compared to	
	September 30		December 31	September 30	December 31
	2023	2022	2022	2022	2022
Israeli currency					
Non-linked	225,219	215,295	215,424	4.6	4.5
CPI-linked	80,906	73,819	76,228	9.6	6.1
Foreign currency, including linked to foreign currency	17,465	14,990	15,820	16.5	10.4
Total	**323,590**	**304,104**	**307,472**	**6.4**	**5.2**

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
	2023	2022	2022	2022	2022
Private individuals:					
Households – residential mortgages	203,720	192,772	195,820	5.7	4.0
Households – other	27,509	26,634	27,064	3.3	1.6
Private banking	98	138	153	(29.0)	(35.9)
Total individuals	**231,327**	**219,544**	**223,037**	**5.4**	**3.7**
Business operations:					
Small and micro businesses	34,425	34,760	34,152	(1.0)	0.8
Medium businesses	12,270	12,153	12,704	1.0	(3.4)
Large businesses	34,570	27,457	28,519	25.9	21.2
Institutional investors	2,675	3,773	2,556	(29.1)	4.7
Total business activity	**83,940**	**78,143**	**77,931**	**7.4**	**7.7**
Overseas activity	8,323	6,417	6,504	29.7	28.0
Total	**323,590**	**304,104**	**307,472**	**6.4**	**5.2**

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

Reported amounts (NIS in millions)	Credit risk[1]							
	As of September 30, 2023				As of September 30, 2022			
	Commercial	Residential	Individual	Total	Commercial	Residential	Individual	Total
Credit risk at performing credit rating[2]								
On-balance sheet credit risk	91,363	200,588	26,628	318,579	86,647	190,574	25,494	302,715
Off-balance sheet credit risk[3]	59,426	10,299	14,947	84,672	51,238	14,507	14,240	79,985
Total credit risk at performing credit rating	**150,789**	**210,887**	**41,575**	**403,251**	**137,885**	**205,081**	**39,734**	**382,700**
Credit risk other than at performing credit rating								
A. Non-problematic	3,749	2,537	328	6,614	1,990	1,894	316	4,200
B. Problematic accruing	2,186	–	186	2,372	880	–	148	1,028
C. Problematic non-accruing	1,200	1,841	71	3,112	1,270	1,302	73	2,645
Total on-balance sheet credit risk other than at performing credit rating	**7,135**	**4,378**	**585**	**12,098**	**4,140**	**3,196**	**537**	**7,873**
Off-balance sheet credit risk[3] other than at performing credit rating	1,591	–	36	1,627	1,066	–	36	1,102
Total credit risk other than at performing credit rating	**8,726**	**4,378**	**621**	**13,725**	**5,206**	**3,196**	**573**	**8,975**
Of which: Accruing debts, in arrears 90 days or longer	84	–	57	141	68	–	35	103
Total credit risk, including risk to the public[4]	**159,515**	**215,265**	**42,196**	**416,976**	**143,091**	**208,277**	**40,307**	**391,675**
Non-performing assets[5]	**1,200**	**1,841**	**71**	**3,112**	**1,270**	**1,302**	**73**	**2,645**

	Credit risk[1]			
	As of December 31, 2022			
	Commercial	Residential	Individual	Total
Credit risk at performing credit rating[2]				
On-balance sheet credit risk	84,735	193,439	25,993	304,167
Off-balance sheet credit risk[3]	51,915	11,349	14,475	77,739
Total credit risk at performing credit rating	**136,650**	**204,788**	**40,468**	**381,906**
Credit risk other than at performing credit rating				
A. Non-problematic	2,949	2,072	324	5,345
B. Problematic accruing	1,205	–	167	1,372
C. Problematic non-accruing	1,228	1,329	55	2,612
Total on-balance sheet credit risk other than at performing credit rating	**5,382**	**3,401**	**546**	**9,329**
Off-balance sheet credit risk[3] other than at performing credit rating	1,412	–	36	1,448
Total credit risk other than at performing credit rating	**6,794**	**3,401**	**582**	**10,777**
Of which: Accruing debts, in arrears 90 days or longer	69	–	44	113
Total credit risk, including risk to the public[4]	**143,444**	**208,189**	**41,050**	**392,683**
Non-performing assets[5]	**1,228**	**1,329**	**55**	**2,612**

(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.

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, 2023 amounted to NIS 416 billion, compared to NIS 393 billion as of December 31, 2022 – an increase by 5.9%.
For more information about credit risk with respect to individuals (excluding residential mortgages), credit risk in the construction and real estate economic sector in Israel and residential mortgage risk, see chapter "Credit risk".
See Notes 6 and 13 to the financial statements for further information.

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

	As of September 30, 2023[1]				As of September 30, 2022			
	Com-mercial	Resi-dential	Indivi-dual	Total	Com-mercial	Resi-dential	Indivi-dual	Total
Analysis of quality of loans to the public								
Non-accruing credit as percentage of total loans to the public	1.24	0.90	0.26	0.94	1.46	0.67	0.28	0.86
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.32	0.90	0.47	0.99	1.54	0.67	0.41	0.90
Problematic credit as percentage of total loans to the public	3.53	0.90	0.95	1.67	2.47	0.67	0.85	1.20
Credit not at performing credit rating as percentage of total loans to the public	7.49	2.14	2.15	3.69	4.75	1.65	2.06	2.57
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	0.73	0.12	0.98	0.36	0.25	0.05	0.21	0.12
Net accounting write-offs as percentage of average balance of loans to the public	0.11	–	0.33	0.06	0.08	–	0.15	0.04
Analysis of provision for credit losses with respect to loans to the public								
Provision for credit losses as percentage of total loans to the public	2.37	0.55	2.52	1.25	1.92	0.44	1.76	0.97
Provision for credit losses as percentage of total loans to the public non-accruing	191.4	61.8	966.2	132.0	131.5	66.2	627.4	113.0
Provision for credit losses as percentage of total loans to the public non-accruing or in arrears 90 days or longer	178.9	61.8	535.9	126.3	124.8	66.2	424.1	108.8
Expense rate with respect to credit losses from net accounting write-offs	6.84	–	2.98	6.27	2.99	–	1.36	3.22

	As of December 31, 2022			
	Com-mercial	Resi-dential	Indivi-dual	Total
Analysis of quality of loans to the public				Total
Non-accruing credit as percentage of total loans to the public	1.37	0.68	0.21	0.83
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.45	0.68	0.37	0.87
Problematic credit as percentage of total loans to the public	2.76	0.68	0.84	1.27
Credit not at performing credit rating as percentage of total loans to the public	6.19	1.73	2.06	3.01
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	0.41	0.05	0.38	0.18
Net accounting write-offs as percentage of average balance of loans to the public	0.25	–	0.26	0.09
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	1.94	0.46	1.93	1.00
Provision for credit losses as percentage of total loans to the public non-accruing	141.7	67.9	930.9	120.5
Provision for credit losses as percentage of total loans to the public non-accruing or in arrears 90 days or longer	133.9	67.9	517.2	115.4
Expense rate with respect to credit losses from net accounting write-offs	1.66	–	1.45	1.98

(1) For more information about the group-based provision for credit losses recognized in the third quarter of 2023, so as to reflect the increase in credit risk in the market due to the war, see "Development of expenses with respect to credit losses" above.

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	December 31
	2023	2022	2022	2022	2022
Off-balance sheet financial instruments other than derivatives:					
Unutilized debitory account and other credit facilities in accounts					
On-call, un-utilized	24,561	20,480	21,772	19.9	12.8
Guarantees to home buyers	15,303	19,938	19,069	(23.2)	(19.7)
Irrevocable commitments for loans approved but not yet granted	23,393	24,677	21,029	(5.2)	11.2
Unutilized revolving credit card facilities	12,088	11,384	11,730	6.2	3.1
Commitments to issue guarantees	11,459	8,159	8,122	40.4	41.1
Guarantees and other commitments	13,242	12,441	12,881	6.4	2.8
Loan guarantees	3,521	3,332	3,531	5.7	(0.3)
Documentary credit	294	786	315	(62.6)	(6.7)
Derivative financial instruments[1]:					
Total par value of derivative financial instruments	357,160	352,833	299,335	1.2	19.3
(On-balance sheet) assets with respect to derivative instruments	7,319	8,695	5,789	(15.8)	26.4
(On-balance sheet) liabilities with respect to derivative instruments	6,095	7,549	5,214	(19.3)	16.9

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

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

Securities – investment in securities increased in the first nine months of 2023 by NIS 3.9 billion. The increase 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 adjust-ments	Loss from fair value adjustments	Fair value[1]
						September 30, 2023
Bonds held to maturity	3,422	3,426	–	–	(181)	3,245
Bonds available for sale	9,291	9,960	(8)	[2]47	[2](708)	9,291
Investment in shares not held for trading	607	546	–	[3]83	[3](22)	607
Securities held for trading	5,687	5,860	–	[3]5	[3](178)	5,687
Total securities	**19,007**	**19,792**	**(8)**	**135**	**(1,089)**	**18,830**
						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**
						December 31, 2022
Bonds held to maturity	3,514	3,514	–	–	(152)	3,362
Bonds available for sale	8,034	8,694	–	[2]66	[2](726)	8,034
Investment in shares not held for trading	632	584	–	[3]62	[3](14)	632
Securities held for trading	2,964	3,018	–	[3]5	[3](59)	2,964
Total securities	**15,144**	**15,810**	**–**	**133**	**(951)**	**14,992**

(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):

	September 30 2023	September 30 2022	December 31 2022	Change in % compared to September 30 2022	Change in % compared to December 31 2022
Israeli currency					
Non-linked	9,866	6,507	6,645	51.6	48.5
CPI-linked	3,897	2,111	2,498	84.6	56.0
Foreign currency (including linked to foreign currency)	4,621	5,085	5,349	(9.1)	(13.6)
Non-monetary items	623	676	652	(7.8)	(4.4)
Total	**19,007**	**14,379**	**15,144**	**32.2**	**25.5**

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

	Carrying amount as of September 30, 2023	September 30, 2022	December 31, 2022
Government bonds:			
Government of Israel	15,226	9,994	10,732
US Government	657	1,318	1,457
Total Government bonds	**15,883**	**11,312**	**12,189**
Bonds of financial institutions in Israel:			
Total bonds of financial institutions in Israel	**834**	**869**	**774**
Bonds of banks in developed nations:			
South Korea	78	114	119
USA	117	71	71
Other	72	76	72
Total bonds of banks in developed nations	**267**	**261**	**262**
Corporate bonds (by economic sector):			
Rental property	528	493	500
Power, gas, steam and air conditioning	189	178	165
Mining and excavation	88	104	95
Industrial – chemical industry	62	92	57
Construction	125	62	97
Other	349	278	298
Total corporate bonds	**1,341**	**1,207**	**1,212**
Asset-backed corporate bonds (ABS)			
Mining and excavation	59	52	53
Others	–	2	2
Total asset-backed corporate bonds (ABS)	**59**	**54**	**55**
Shares and other securities			
Investment in shares not held for trading	607	656	632
Of which: Shares for which no fair value is available[1]	352	413	389
Shares and other securities held for trading	16	20	20
Total shares and other securities	**623**	**676**	**652**
Total securities	**19,007**	**14,379**	**15,144**

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

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

Buildings and equipment – The balance of buildings and equipment increased in the first nine months of 2023 by NIS 56 million. The decrease in buildings and equipment is primarily due to asset write-down.

Deposits from the public – these account for 80% of total consolidated balance sheet as of September 30, 2023, similar to their weight as of December 31, 2022. In the first nine months of 2023, deposits from the public with the Bank Group increased by NIS 6.5 billion, or 1.9%.

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

				Change in % compared to	
		September 30	December 31	September 30	December 31
	2023	2022	2022	2022	2022
Israeli currency					
Non-linked	258,473	260,399	260,411	(0.7)	(0.7)
CPI-linked	24,510	23,170	21,767	5.8	12.6
Foreign currency, including linked to foreign currency	68,051	61,770	62,336	10.2	9.2
Total	**351,034**	**345,339**	**344,514**	**1.6**	**1.9**

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

				Change in % compared to	
		September 30	December 31	September 30	December 31
	2023	2022	2022	2022	2022
Private individuals:					
Households – other	130,231	124,530	125,823	4.6	3.5
Private banking	28,136	24,985	25,755	12.6	9.2
Total individuals	**158,367**	**149,515**	**151,578**	**5.9**	**4.5**
Business operations:					
Small and micro businesses	54,785	57,378	55,805	(4.5)	(1.8)
Medium businesses	12,434	14,156	13,570	(12.2)	(8.4)
Large businesses	35,740	38,024	39,636	(6.0)	(9.8)
Institutional investors	77,927	79,194	75,938	(1.6)	2.6
Total business activity	**180,886**	**188,752**	**184,949**	**(4.2)**	**(2.2)**
Overseas activity(1)	11,781	7,072	7,987	66.6	47.5
Total	**351,034**	**345,339**	**344,514**	**1.6**	**1.9**

(1) The increase in deposits is with respect to proactive activity and expansion of channels for raising deposits at overseas Bank affiliates.

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
	2023	2022	2022
Maximum deposit			
Up to 1	102,848	99,670	99,561
Over 1 to 10	90,928	85,300	86,771
Over 10 to 100	43,625	46,141	46,517
Over 100 to 500	35,914	39,962	35,348
Above 500	77,719	74,266	76,317
Total	**351,034**	**345,339**	**344,514**

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, 2023 amounted to NIS 5.0 billion, a decrease by NIS 2.0 billion compared to end of 2022.

Bonds and subordinated notes – The balance of bonds and subordinated notes as of September 30, 2023 amounted to NIS 36.7 billion, an increase by NIS 3.4 billion compared to the balance as of December 31, 2022. In the first nine months of 2023, bonds and subordinated notes were affected by issuance of a new commercial paper series (67) amounting to NIS 2.0 billion, by issuance of commercial paper amounting to NIS 1.1 billion, by the higher CPI and by current redemptions. 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, 2023 amounted to NIS 26.5 billion, compared to NIS 23.8 billion and NIS 23.0 billion as of December 31, 2022 and as of September 30, 2022, an increase by 11.3% and 15.1%, respectively.

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

	September 30		December 31
	2023	**2022**	**2022**
Share capital and premium(1)	3,542	3,517	3,519
Capital reserve from benefit from share-based payment transactions	112	82	99
Cumulative other comprehensive loss(2)(3)	(509)	(552)	(514)
Retained earnings (4)	23,314	19,942	20,676
Total	**26,459**	**22,989**	**23,780**

(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 2022 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, 2023 was 6.04% compared to 5.55% as of December 31, 2022 and 5.35% as of September 30, 2022.

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, 2023, 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).

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.

Accordingly, the minimum Tier I equity ratio required of the Bank as of the reporting date is 9.60%, and the minimum total capital ratio required of the Bank as of the reporting date is 12.5%.

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.

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%.

Changes to the risk-free interest curve would affect the capital reserve with respect to bonds available for sale, as well as the capital reserve from adjustments for actuarial changes, which are part of supervisory capital. Accordingly, a 1% increase in risk-free interest rate would affect supervisory capital by reduction of 0.04% in tier I equity ratio.

Israel's rating affects capital ratios, primarily with respect to exposure to Government of Israel, to Israeli banks, to institutional investors and to public sector entities. According to Bank policy, the effective rating is the one provided by S&P. The Bank considers that lowering Israel's rating by one notch would result in a decrease by 0.12% in I equity ratio.

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

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

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

For more information see Note 9 to the financial statements.

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

		As of September 30	As of December 31
	2023	**2022**	**2022**
Capital for purpose of calculating the capital ratio			
Tier I shareholders' equity	27,504	24,332	25,072
Tier I capital	27,504	24,332	25,072
Tier II capital	7,891	7,854	8,015
Total capital	**35,395**	**32,186**	**33,087**
Weighted risk asset balances			
Credit risk	249,772	228,416	234,383
Market risks	1,855	1,497	1,301
Operational Risk	20,140	15,369	16,567
Total weighted risk asset balances	**271,767**	**245,282**	**252,251**

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

	September 30, 2023	**September 30, 2022**	**December 31, 2022**
Ratio of Tier I equity to risk components	10.12	9.92	9.94
Ratio of total capital to risk components	13.02	13.12	13.12
Minimum Tier I equity ratio required by Supervisor of Banks	9.60	9.61	9.60
Total minimum capital ratio required by the directives of the Supervisor of Banks	12.50	12.50	12.50

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

	As of September 30, 2023		As of September 30, 2022		As of December 31, 2022	
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	274	34	37	5	29	4
Debts of public sector entities	381	48	409	51	371	46
Debts of banking corporations	1,775	222	1,643	205	1,748	219
Securities companies	1,191	149	1,235	154	928	116
Debts of corporations	87,666	10,958	75,778	9,472	78,486	9,811
Debts secured by commercial property	5,263	658	5,177	647	5,226	653
Retail exposures to individuals	21,397	2,675	20,683	2,585	20,935	2,617
Loans to small businesses	10,152	1,269	10,312	1,289	10,209	1,276
Residential mortgages	110,361	13,795	103,110	12,889	106,008	13,251
Other assets	9,826	1,228	8,639	1,080	9,213	1,152
Total	**248,286**	**31,036**	**227,023**	**28,377**	**233,153**	**29,145**

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

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

	As of September 30, 2023		As of September 30, 2022		As of December 31, 2022	
	Weighted risk asset balances	**Capital requirement(1)**	**Weighted risk asset balances**	**Capital requirement(1)**	**Weighted risk asset balances**	**Capital requirement(1)**
Market risk	1,855	232	1,497	187	1,301	163
CVA risk with respect to derivatives(2)	1,486	186	1,393	174	1,230	154
Operational Risk(3)	20,140	2,518	15,369	1,921	16,567	2,071
Total	**23,481**	**2,936**	**18,259**	**2,282**	**19,098**	**2,388**
Total risk assets	**271,767**	**33,972**	**245,282**	**30,659**	**252,251**	**31,533**

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

Leverage ratio

The Bank applies Proper Conduct of Banking Business Directive 218 regarding "Leverage ratio" (hereinafter: "the Directive"). The directive stipulates a simple, transparent leverage ratio which is not risk-based, to serve as a reliable, additional measure to risk-based capital requirements, which is intended to limit the accumulation of leverage at banking corporations.

The leverage ratio, in percent, is defined as the ratio of capital measure to exposure measure. Capital for measurement of the leverage ratio is Tier I capital, as defined in Proper Conduct of Banking Business Directive 202, taking into consideration the stipulated transitional provisions. Total exposure measurement for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items. In general, this measurement is consistent with accounting values, and for this reason no risk weightings are taken into account. Furthermore, the Bank may not use physical or financial collateral, guarantees nor other techniques to mitigate credit risk in order to reduce exposure measurement, unless specifically allowed by the directive. Balance sheet items deducted from Tier I capital (pursuant to Directive 202) are deducted from the exposure measure. In conformity with the directive, the Bank calculates the exposure with respect to derivatives in conformity with Appendix C of Proper Conduct of Banking Business Directive 203, and exposures with respect to off-balance sheet items by converting the notional amount of such items into credit conversion factors, as set forth in Proper Conduct of Banking Business Directive 203.

In conformity with the Directive, banking corporations shall maintain a leverage ratio of 5% or higher on 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, 2023 is 5.78%, compared to 5.42% as of December 31, 2022.

For more information see Note 9 to the financial statements.

Below is the Bank's leverage ratio:

	As of September 30 2023	As of September 30 2022	As of December 31 2022
Consolidated data			
Tier I capital	27,504	24,332	25,072
Total exposure	476,015	462,856	463,010
			In %
Leverage ratio	5.78	5.26	5.42
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	6.56	5.86	6.08
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 2022 Report by the Board of Directors and Management.

On November 12, 2023, the Supervisor of Banks directed the banking system, due to the war forced on Israel on October 7, and the resulting significant change in economic conditions, downward revision of growth forecasts, volatility in exchange rates and on financial markets in Israel and expected increase in credit risk, the level of uncertainty was higher and therefore banks must consider, when reviewing their capital planning and deciding on dividend distributions, the war's effect on economic conditions and the implications thereof. This is so as to ensure that sufficient capital buffers are in place to address the various risks, to enable assistance to bank customers, including by extending credit to customers with repayment capacity, both as part of the support for economic activity and as part of the recovery and development efforts to follow the war period.-

Dividend distribution

Below is information about dividend distributions by the Bank since 2021 (in reported amounts):

Declaration date	Payment date	Dividends per share	Dividends as percent of profit	Total dividends paid
		(Agorot)		(NIS in millions)
August 16, 2021	August 31, 2021	188.99	(1)30%	483.0
November 15, 2021	November 30, 2021	293.47	(2)30%	752.7
Total dividend distributions in 2021[3]				**1,235.7**
February 28, 2022	March 15, 2022	105.89	40%	271.6
August 15, 2022	August 30, 2022	122.91	30%	315.9
November 28, 2022	December 13, 2022	137.43	30%	353.4
Total dividend distributions in 2022[4]				**940.9**
March 13, 2023	March 28, 2023	126.79	30%	326.1
May 16, 2023	June 1, 2023	159.35	30%	410.1
August 14, 2023	August 29, 2023	190.10	35%	489.3
Total dividend distributions in 2023[5]				**1,225.5**

(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 1,267.0 million.
(5) Total dividends distributed with respect to 2023 earnings – NIS 899.4 million.

Dividends declared

On November 27, 2023, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 164.7 million, or 15% of earnings in the third quarter of 2023, given the state of uncertainty in the economy regarding, inter alia, the continued war and the extent of its effects, and so as to enable further assistance to Bank customers, including by way of extending credit to customers with repayment capacity, and further to the Supervisor of Banks' letter on this matter dated November 12, 2023.

The dividend amount is 638.68% of issued share capital, i.e. NIS 63.87 per NIS 0.1 par value share. The effective date for dividends payment is December 5, 2023 and the payment date is December 12, 2023. 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
	2023	2022	2022	2022	2022
Securities[1]	536,579	491,950	497,639	9.1	7.8
Assets of provident funds for which the Group provides operating services	140,670	126,249	129,887	11.4	8.3
Assets held in trust by Bank Group	98,891	75,741	81,610	30.6	21.2
Assets of mutual funds for which the Group provides operating services	13,719	11,272	12,663	21.7	8.3
Other assets under management[2]	20,588	21,563	21,201	(4.5)	(2.9)

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

(2) Including:

–Loan balances secured by deposits whose repayment to the depositor is contingent upon collection of the loan balance. The Bank receives margin or commission revenues with respect to these balances.

– Other loans managed by the Bank, including residential mortgages managed and operated by the Bank on behalf of others.

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 2022 annual report.

Financial information by supervisory operating segment

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

	Net income		Percentage of total net profit	
	Nine months		Nine months	
	2023	2022	2023	2022
Private individuals:				
Households – residential mortgages	795	766	20.6	22.6
Households – other	734	46	19.0	1.4
Private banking	161	68	4.2	2.0
Total individuals	**1,690**	**880**	**43.7**	**26.0**
Business operations:				
Small and micro businesses	718	487	18.6	14.4
Medium businesses	223	93	5.8	2.7
Large businesses	409	233	10.6	6.9
Institutional investors	38	42	1.0	1.2
Total business activity	**1,388**	**855**	**35.9**	**25.3**
Financial management	662	1,491	17.1	44.0
Total activity in Israel	**3,740**	**3,226**	**96.8**	**95.3**
Overseas activity	123	159	3.2	4.7
Total	**3,863**	**3,385**	**100.0**	**100.0**

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

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					
	2023			2022		
	NIS in millions					
	Other	Residential mortgages	Total	Other	Residential mortgages	Total
Profit and profitability						
Total interest revenues, net	2,847	2,060	4,907	1,399	1,823	3,222
Non-interest financing revenues	–	–	–	–	–	–
Commissions and other revenues	537	105	642	546	110	656
Total revenues	**3,384**	**2,165**	**5,549**	**1,945**	**1,933**	**3,878**
Expenses with respect to credit losses	262	235	497	52	88	140
Operating and other expenses	1,817	707	2,524	1,724	687	2,411
Profit before provision for taxes	1,305	1,223	2,528	169	1,158	1,327
Provision for taxes	456	428	884	57	392	449
After-tax profit	849	795	1,644	112	766	878
Net profit:						
Attributable to non-controlling interests	(115)	–	(115)	(66)	–	(66)
Attributable to shareholders of the banking corporation	**734**	**795**	**1,529**	**46**	**766**	**812**
Balance sheet – key items:						
Loans to the public (end balance)	28,173	204,852	233,025	27,076	193,630	220,706
Loans to the public, net (end balance)	27,509	203,720	231,229	26,634	192,772	219,406
Deposits from the public (end balance)	130,231	–	130,231	124,530	–	124,530
Average balance of loans to the public	27,064	200,980	228,044	25,363	186,000	211,363
Average balance of deposits from the public	128,387	–	128,387	121,433	–	121,433
Average balance of risk assets	22,035	119,525	141,560	23,527	106,273	129,800
Credit spreads and deposit spreads:						
Margin from credit granting operations	827	1,753	2,580	751	1,753	2,504
Margin from activities of receiving deposits	1,978	–	1,978	643	–	643
Other	42	307	349	5	70	75
Total interest revenues, net	**2,847**	**2,060**	**4,907**	**1,399**	**1,823**	**3,222**

Net profit attributable to the household segment in the first nine months of 2023 amounted to NIS 1,529 million, compared to NIS 812 million in the corresponding period last year. The increase was primarily due to increase in interest revenues, net, partially offset by increase in expenses with respect to credit losses.
Net profit attributable to residential mortgage operations in the household segment in the first nine months of 2023 amounted to NIS 784 million, compared to NIS 766 million in the corresponding period last year.

Net interest revenues from residential mortgage operations amounted to NIS 2,060 million, compared to NIS 1,823 million in the corresponding period last year. The increase was primarily due to increase in residential mortgages. Conversely,

expenses with respect to credit losses amounted to NIS 235 million, compared to expenses amounting to NIS 88 million in the corresponding period last year. The increase is primarily due to increase in the group-based provision recognized so as to reflect the increase in credit risk in the market due to the war, though no material indicators of increase in this risk have been seen to date.
Net profit attributable to household operations (other than residential mortgages) in the first nine months of 2023 amounted to NIS 734 million, compared to profit of NIS 46 million in the corresponding period last year.
The increase is primarily due to increase in financing revenues, net, which amounted to NIS 2,847 million, compared to NIS 1,399 million in the corresponding period last year, primarily due to increase in deposits and to higher Bank of Israel interest rates. The increase was partially offset by expenses with respect to credit losses, which in the first nine months of 2023 amounted to NIS 262 million, compared to expenses of NIS 52 million in the corresponding period last year. The increase is primarily due to increase in the group-based provision for credit losses provision recognized so as to reflect the increase in credit risk in the market due to the war, though no material indicators of increase in this risk have been seen to date.
The increase in operating expenses was due to increase in business volume.

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.

Operating results in the household segment

	For the three months ended September 30					
	2023			2022		
	NIS in millions					
	Other	Residential mortgages	Total	Other	Residential mortgages	Total
Profit and profitability						
Total interest revenues, net	981	709	1,690	603	611	1,214
Non-interest financing revenues	–	–	–	–	–	–
Commissions and other revenues	184	30	214	173	43	216
Total revenues	**1,165**	**739**	**1,904**	**776**	**654**	**1,430**
Expenses with respect to credit losses	120	172	292	20	36	56
Operating and other expenses	608	204	812	602	244	846
Profit before provision for taxes	437	363	800	154	374	528
Provision for taxes	154	129	283	53	128	181
After-tax profit	283	234	517	101	246	347
Net profit:						
Attributable to non-controlling interests	(30)	–	(30)	(34)	–	(34)
Attributable to shareholders of the banking corporation	**253**	**234**	**487**	**67**	**246**	**313**
Balance sheet – key items:						
Loans to the public (end balance)	28,173	204,852	233,025	27,076	193,630	220,706
Loans to the public, net (end balance)	27,509	203,720	231,229	26,634	192,772	219,406
Deposits from the public (end balance)	130,231	–	130,231	124,530	–	124,530
Average balance of loans to the public	27,267	202,394	229,661	25,563	192,862	218,425
Average balance of deposits from the public	129,174	–	129,174	123,913	–	123,913
Average balance of risk assets	22,353	121,437	143,790	23,475	109,765	133,240
Credit spreads and deposit spreads:						
Margin from credit granting operations	273	576	849	257	593	850
Margin from activities of receiving deposits	692	–	692	346	–	346
Other	16	133	149	–	18	18
Total interest revenues, net	**981**	**709**	**1,690**	**603**	**611**	**1,214**

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	
	2023	2022	2023	2022
	NIS in millions			
Profit and profitability				
Total interest revenues, net	249	102	79	49
Non-interest financing revenues	–	–	–	–
Commissions and other revenues	15	17	6	3
Total revenues	**264**	**119**	**85**	**52**
Expenses (revenues) with respect to credit losses	–	1	(1)	1
Operating and other expenses	16	15	7	4
Profit before provision for taxes	248	103	79	47
Reduction of provision for taxes	87	35	28	16
Net income	**161**	**68**	**51**	**31**
Balance sheet – key items:				
Loans to the public (end balance)	99	140	99	140
Loans to the public, net (end balance)	98	138	98	138
Deposits from the public (end balance)	28,136	24,985	28,136	24,985
Average balance of loans to the public	126	136	119	162
Average balance of deposits from the public	26,594	22,827	27,128	23,935
Average balance of risk assets	50	68	43	66
Credit spreads and deposit spreads:				
Margin from credit granting operations	–	1	–	–
Margin from activities of receiving deposits	249	98	79	48
Other	–	3	–	1
Total interest revenues, net	**249**	**102**	**79**	**49**

Net profit attributable to the private banking segment in the first nine months of 2023 amounted to NIS 161 million, compared to NIS 68 million in the corresponding period last year. The increase was due to increase in interest revenues, net, primarily due to increase in business volume and to higher Bank of Israel interest rates.

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	
	2023	2022	2023	2022
	NIS in millions			
Profit and profitability				
Total interest revenues, net	1,994	1,263	683	496
Non-interest financing revenues	–	–	–	–
Commissions and other revenues	425	434	138	150
Total revenues	**2,419**	**1,697**	**821**	**646**
Expenses with respect to credit losses	372	56	165	31
Operating and other expenses	926	896	308	321
Profit before provision for taxes	1,121	745	348	294
Provision for taxes	392	252	123	101
After-tax profit	**729**	**493**	**225**	**193**
Net profit attributed to non-controlling interests	(11)	(6)	(4)	(2)
Net profit attributable to shareholders of the banking corporation	**718**	**487**	**221**	**191**
Balance sheet – key items:				
Loans to the public (end balance)	35,676	35,664	35,676	35,664
Loans to the public, net (end balance)	34,425	34,760	34,425	34,760
Deposits from the public (end balance)	54,785	57,378	54,785	57,378
Average balance of loans to the public	34,517	32,948	34,532	34,406
Average balance of deposits from the public	55,491	54,301	55,619	56,413
Average balance of risk assets	33,170	29,928	33,288	31,892
Credit spreads and deposit spreads:				
Margin from credit granting operations	1,034	980	354	340
Margin from activities of receiving deposits	867	250	293	145
Other	93	33	36	11
Total interest revenues, net	**1,994**	**1,263**	**683**	**496**

Net profit attributable to the micro and small businesses segment in the first nine months of 2023 amounted to NIS 718 million, compared to NIS 487 million in the corresponding period last year. The increase was primarily due to increase in interest revenues, net, partially offset by increase in expenses with respect to credit losses.

Financing revenues, net amounted to NIS 1,994 million, compared to NIS 1,263 million in the corresponding period last year; the increase was primarily due to increase in loans and deposits and to higher Bank of Israel interest rates. Conversely, expenses with respect to credit losses increased, amounting to NIS 372 million, compared to expenses of NIS 56 million in the corresponding period last year. The increase is primarily due to increase in the group-based provision for credit losses recognized so as to reflect the increase in credit risk in the market due to the war, though no material indicators of increase in this risk have been seen to date.

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	
	2023	2022	2023	2022
	NIS in millions			
Profit and profitability				
Total interest revenues, net	488	307	155	110
Non-interest financing expenses	–	(1)	–	–
Commissions and other revenues	77	77	29	26
Total revenues	**565**	**383**	**184**	**136**
Expenses with respect to credit losses	71	53	65	28
Operating and other expenses	151	190	44	67
Profit before provision for taxes	343	140	75	41
Provision for taxes	120	47	27	14
Net income	**223**	**93**	**48**	**27**
Balance sheet – key items:				
Loans to the public (end balance)	12,522	12,357	12,522	12,357
Loans to the public, net (end balance)	12,270	12,153	12,270	12,153
Deposits from the public (end balance)	12,434	14,156	12,434	14,156
Average balance of loans to the public	12,243	11,279	12,285	11,765
Average balance of deposits from the public	12,565	14,196	12,495	13,712
Average balance of risk assets	14,572	13,487	14,714	13,716
Credit spreads and deposit spreads:				
Margin from credit granting operations	298	247	92	81
Margin from activities of receiving deposits	155	54	51	28
Other	35	6	12	1
Total interest revenues, net	**488**	**307**	**155**	**110**

Net profit attributable to the medium businesses segment in the first nine months of 2023 amounted to NIS 223 million, compared to NIS 93 million in the corresponding period last year. The increase was primarily due to increase in interest revenues, net. Interest revenues, net amounted to NIS 488 million, compared to NIS 307 million in the corresponding period last year. The increase was primarily due to increase in loans and to increase in the Bank of Israel interest rate.

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	
	2023	2022	2023	2022
	NIS in millions			
Profit and profitability				
Total interest revenues, net	878	554	297	213
Non-interest financing revenues	–	1	–	–
Commissions and other revenues	162	145	54	45
Total revenues	**1,040**	**700**	**351**	**258**
Expenses with respect to credit losses	158	77	128	41
Operating and other expenses	253	271	83	92
Profit before provision for taxes	629	352	140	125
Provision for taxes	220	119	50	43
Net income	**409**	**233**	**90**	**82**
Balance sheet – key items:				
Loans to the public (end balance)	35,054	27,792	35,054	27,792
Loans to the public, net (end balance)	34,570	27,457	34,570	27,457
Deposits from the public (end balance)	35,740	38,024	35,740	38,024
Average balance of loans to the public	32,857	26,382	35,118	28,814
Average balance of deposits from the public	37,215	36,852	37,529	37,812
Average balance of risk assets	44,263	36,445	46,046	38,135
Credit spreads and deposit spreads:				
Margin from credit granting operations	574	435	194	159
Margin from activities of receiving deposits	203	90	64	44
Other	101	29	39	10
Total interest revenues, net	**878**	**554**	**297**	**213**

Net profit attributable to the large businesses segment in the first nine months of 2023 amounted to NIS 409 million, compared to NIS 233 million in the corresponding period last year. The increase was primarily due to increase in interest revenues, net, partially offset by increase in expenses with respect to .

Financing revenues, net amounted to NIS 878 million, compared to NIS 555 million in the corresponding period last year; the increase was primarily due to increase in activity and to higher Bank of Israel interest rates. Conversely, expenses with respect to losses increased, amounting to NIS 372 million, compared to expenses of NIS 77 million in the corresponding period last year. The increase is primarily due to increase in the group-based provision for credit losses, recognized so as to reflect the increase in credit risk in the market due to the war, though no material indicators of increase in this risk have been seen to date.

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	
	2023	2022	2023	2022
	NIS in millions			
Profit and profitability				
Total interest revenues, net	154	162	48	78
Non-interest financing revenues	–	–	–	–
Commissions and other revenues	38	38	11	12
Total revenues	**192**	**200**	**59**	**90**
Expenses with respect to credit losses	2	1	2	2
Operating and other expenses	132	136	46	50
Profit before provision for taxes	58	63	11	38
Provision for taxes	20	21	4	13
Net income	**38**	**42**	**7**	**25**
Balance sheet – key items:				
Loans to the public (end balance)	2,684	3,778	2,684	3,778
Loans to the public, net (end balance)	2,675	3,773	2,675	3,773
Deposits from the public (end balance)	77,927	79,194	77,927	79,194
Average balance of loans to the public	1,053	1,933	1,254	1,785
Average balance of deposits from the public	67,536	63,534	68,197	67,310
Average balance of risk assets	1,886	2,265	1,496	3,053
Credit spreads and deposit spreads:				
Margin from credit granting operations	16	21	6	7
Margin from activities of receiving deposits	134	130	41	71
Other	4	11	1	–
Total interest revenues, net	**154**	**162**	**48**	**78**

Net profit attributable to the institutional investors segment in the first nine months of 2023 amounted to NIS 38 million, compared to NIS 42 million in the corresponding period last year.

Interest revenues, net amounted to NIS 154 million, compared to NIS 162 million in the corresponding period last year.

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

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	
	2023	**2022**	**2023**	**2022**
	NIS in millions			
Profit and profitability				
Total interest revenues, net	309	1,472	(103)	450
Non-interest financing revenues	678	556	341	263
Commissions and other revenues	348	718	110	124
Total revenues	**1,335**	**2,746**	**348**	**837**
Expenses with respect to credit losses	8	–	8	–
Operating and other expenses	295	385	88	130
Profit before provision for taxes	1,032	2,361	252	707
Provision for taxes	361	799	90	244
After-tax profit	671	1,562	162	463
Share of banking corporation in earnings of associated companies	1	4	–	2
Net profit before attribution to non-controlling interests	672	1,566	162	465
Net profit attributed to non-controlling interests	(10)	(20)	(3)	(2)
Net profit attributable to shareholders of the banking corporation	**662**	**1,546**	**159**	**463**
Balance sheet – key items:				
Average balance of risk assets	15,992	12,974	17,724	12,904
Credit spreads and deposit spreads:				
Margin from credit granting operations	–	–	–	–
Margin from activities of receiving deposits	–	–	–	–
Other	309	1,472	(103)	450
Total interest revenues, net	**309**	**1,472**	**(103)**	**450**

Net profit attributable to the financial management segment in the first nine months of 2023 amounted to NIS 662 million, compared to NIS 1,546 million in the corresponding period last year.

Financing revenues amounted to NIS 987 million, compared to NIS 2,028 million in the corresponding period last year. The decrease was primarily due to lower early repayment commissions and to impact of derivatives and bond realization.

Commissions and other revenues amounted to NIS 348 million, compared to NIS 718 million in the corresponding period last year. The decrease was 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	
	2023	2022	2023	2022
	NIS in millions			
Profit and profitability				
Total interest revenues, net	307	206	110	81
Non-interest financing revenues	–	–	–	–
Commissions and other revenues	18	20	6	3
Total revenues	**325**	**226**	**116**	**84**
Expenses with respect to credit losses	60	13	35	(4)
Operating and other expenses	76	55	27	19
Profit before provision for taxes	189	158	54	69
Provision for taxes	66	54	19	23
Net income	**123**	**104**	**35**	**46**
Balance sheet – key items:				
Loans to the public (end balance)	8,411	6,471	8,411	6,471
Loans to the public, net (end balance)	8,323	6,417	8,323	6,417
Deposits from the public (end balance)(1)	11,781	7,072	11,781	7,072
Average balance of loans to the public	7,300	4,974	7,543	5,584
Average balance of deposits from the public(1)	9,274	4,938	10,107	5,282
Average balance of risk assets	9,463	6,552	10,252	7,526
Credit spreads and deposit spreads:				
Margin from credit granting operations	191	167	68	68
Margin from activities of receiving deposits	19	4	8	–
Other	97	35	34	13
Total interest revenues, net	**307**	**206**	**110**	**81**

(1) The increase in deposits is with respect to proactive activity and expansion of channels for raising deposits at overseas Bank affiliates.

Net profit attributable to the overseas operations segment in the first nine months of 2023 amounted to NIS 123 million, compared to NIS 104 million in the corresponding period last year.

Financing revenues amounted to NIS 307 million, compared to NIS 206 million in the corresponding period last year; the increase was primarily due to increase in loans and to higher interest rates in the USA.

Conversely, expenses with respect to credit losses increased, amounting to NIS 60 million, compared to NIS 13 million in the corresponding period last year due to increase in the group-based provision

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

Principal investee companies

The contribution of investees to net operating profit in the first nine months of 2023 amounted to NIS 297 million, compared with NIS 403 million in the corresponding period last year. In the corresponding period last year, contribution of investees included, *inter alia*, earnings of Union Bank, which has been merged into Bank Mizrahi Tefahot as from end of 2022.

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 2023 amounted to NIS 136 million, compared to NIS 92 million in the corresponding period last year. Bank Yahav's net profit return on equity in the first nine months of 2023 was 15.8% on annualized basis, compared to 12.3% in the corresponding period last year.

Bank Yahav's balance sheet total as of September 30, 2023 amounted to NIS 36,135 million, compared to NIS 35,020 million as of December 31, 2022 – an increase by NIS 1,115 million, or 3.2%. Net loans to the public as of September 30, 2023 amounted to NIS 11,963 million, compared to NIS 11,912 million as of December 31, 2022 – an increase by NIS 51 million, or 0.7%. Net deposits from the public as of September 30, 2023 amounted to NIS 32,063 million, compared to NIS 31,103 million as of December 31, 2022 – an increase by NIS 960 million, or 3.1%.

In May 2023, the Bank of Israel eliminated the limit on lending to corporations, applicable to Bank Yahav through said date. The Bank of Israel also rescinded the relief provided to Bank Yahav, for a minimum leverage ratio of 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 2023 amounted to NIS 72.7 million, compared to NIS 57.7 million in the corresponding period last year.

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

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

Net profit of Leasing in the first nine months of 2023 amounted to NIS 61.0 million, compared to NIS 43.2 million 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 2023 NIS 12 million – compared to NIS 11 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.

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

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

Bank investments in shares as of September 30, 2023 amounted to NIS 864 million, compared to NIS 782 million and NIS 779 million as of September 30, 2022 and as of December 31, 2022, respectively. Bank net gain from investment in shares in the first nine months of 2023 amounted to NIS 39 million, compared to loss amounting to NIS 38 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 2022 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

On October 7, 2023, after the balance sheet date, war was declared following a sudden murderous rampage into settlements close to the Gaza Strip border. This was concurrently with the start of military escalation on the Northern border.

The Bank's business activity exposes the Bank to various financial and non-financial 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 processes conducted by the Bank to map and identify risk, the Bank reviews major risks, existing or new ones, 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, or risks which may materialize over the longer term, with uncertainty about their nature and impact on the Bank. The risks mapping is regularly reviewed to ensure that it encompasses all risk associated with business operations at the Bank, and risk arising from market conditions and regulatory requirements.

The risk profile for the third quarter of 2023, prior to the war, which is based on risk values at end of the third quarter of 2023, remained un-changed.

The assessment of other risks, prior to the war, reflects uncertainty which about the economy, with regard to the global geo-political effects, the state of the global and local economies and changes to the macro-economic environment, as well as the high interest environment and implications thereof.

The Bank's current risk assessment reflects the significant economic uncertainty due to effects of the war started after the end of the third quarter. Note that no significant indications have been identified to date, which support the actual increase in risk. Nevertheless, from a forward-looking viewpoint, the Bank slightly increased its risk assessment with regard to the second quarter of 2023 and end of 2022, in particular with regard to borrower and collateral quality risk, which reflects concern about higher business credit risk.

All other risk levels remained un-changed. The Bank is of the opinion that they are appropriate, even given the potential effects of systemic events. Note that significant indications of increased level of such risks have yet to be identified.

The Bank continues to monitor developments and to conduct increased monitoring of the effects of the war and derivatives thereof on economic activity and, consequently, on Bank activity and various risk aspects.

We emphasize that strategic business risk remained un-changed, due to the fact that at the strategic level, there has been no change to the Bank's business model based on the current strategic plan outline, and the Bank is in line with its business targets. However, strategic business risk incorporates all of the Bank's business operations, also reflecting the risk in the Bank's business environment, and the Bank is reviewing the increase in geo-political risk and the macro-economic and business implications that may materialize should the war last longer and/or should it expand to other regions.

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.

The Bank maintains appropriate liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. 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 maintains 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.

The likelihood of cyber threat materialization increased somewhat, due to the higher threat level in the economy, and to increased cyber attacks attempted on the banking system, which started during the holiday season and increased even further as the war started. The Bank continues to reinforce the defense mechanisms applied by the Bank, in order to limit the ability to conduct un-authorized transactions in customer accounts, to maintain network and system robustness and to ensure the availability thereof. These actions are part of the debrief and lesson learning processes in place at the Bank with regard to this evolving threat.

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

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 risk management and control. The Bank operates in conformity with directives of the Supervisor of Banks with regard to risk management and control, and in conformity with Proper Conduct of Banking Business Directives, and in particular with Directive 310 "Risks Management", which is based on the Basel Committee recommendations, which specifies the principles for risks management and control in the Israeli banking system and stipulates the standards required of the banks for creating their risks management and control framework in line with regulatory requirements, the Bank's risk profile, risk strategy and its business targets. All Bank policy documents for risk control and management are based on these underlying principles.

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

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 regularly manages material risks to which the Bank is exposed and implements the 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 the overall risk level which the Bank Group 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. Risk appetite is defined in qualitative and quantitative terms in the normal course of business and under stress scenarios, and is based on the risk strategy and on basic principles of the Bank Group's business and strategic plan, on the required liquidity and capital for achieving the strategic objectives.

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

Efficient, comprehensive risk management is a major pillar for ensuring bank stability over time. Risks management and control processes at the Bank Group are designed to identify, manage, monitor, quantify, avoid and mitigate all material risks associated with Bank operations and to support achievement of the Bank's business objectives. Business activity in diverse financial products and instruments exposes the Bank Group to various financial and non-financial risks, whose materialization has potential to impact its financial results or image. The Bank is exposed to financial risk, such as: credit risks, concentration risk, liquidity risk and market and interest risks, as well as non-financial risks, such as: Reputational risk, compliance and regulatory risk, operational risk including, inter alia: IT risk, information and cyber security risk, legal risk and other risk, such as: climate and environmental risk, strategic business risk, regulatory business risk etc.

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.

System-wide scenario

In line with customary world-wide practice, the Supervisor of Banks annually conducts a uniform macro-economic stress scenario for the banking system, designed to test systemic and individual financial stability in a different macro-economic environment and risk concentrations under an extreme scenario. The most recent systemic stress scenario was submitted by banks in March 2023, calculated based on data for end of 2022. The 2022 review by the Supervisor of Banks, published in the second quarter of 2023, included the systemic stress scenario outcomes. For more information about the scenario outline and outcome at the system level and at Bank level, see the Risks Report for the second quarter of 2023.

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 2022 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 from a forward-looking perspective for 2023, as well as developments during the year in conformity with the risk self assessment process and presentation of the Bank's overall risk map. Capital planning and risk assessment in the annual ICAAP document are prepared from a Group viewpoint.

The key part of the ICAAP document is the internal capital planning process, applied to a three-year forward planning horizon. 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 2022 ICAAP document was 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 2022 and includes qualitative and quantitative references to all risk aspects at the Bank. Due to the war, the deadline for submitting the 2023 ICAAP document was delayed to the end of the first quarter of 2024.

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 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).

The table below lists the risk factors, executives appointed as Risk Owner (RO) 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 scenarios, based on the severity levels set forth in the framework for risk management and control. 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. Risk assessment for each of these risks is re-assessed quarterly, based on the specified risk appetite, including quantitative and qualitative benchmarks, and the actual risk profile, including estimated potential for risk materialization and its impact on the Bank based on the current business environment. 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 expected direction of risk development over the coming year, in alignment with work plans of the various departments. These results are extensively discussed by Bank management and Board of Directors.

In view of the significant economic uncertainty due to the war, and the higher economic systemic risk, the Bank has conducted a risk assessment so as to reflect the currently known effects of the war and its potential implications. Furthermore, risk factors and their potential impact on various risk levels have been mapped.

Below is a mapping of risk factors, their potential impact on the Bank Group and executives appointed Risk Owners for each risk factor. The risk assessments were reviewed after end of the third quarter of 2023, and include forward-looking assessment of the potential implications of the war for the Bank:

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-High	
Risk from industry concentration(1)	Low-Medium	
Risk with respect to concentration of borrowers / borrower groups	Low	
Risk with respect to mortgage portfolio	Low-Medium	
Overall effect of market risks(2)	Low-Medium	Manager, Financial Division
Interest risk	Medium	
Inflation risk	Low-Medium	
Foreign currency risk	Low	
Liquidity risk	Low-Medium	Manager, Financial 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
Strategic business risk(5)	Low-Medium	President & CEO
Regulatory-business risk	Medium-High	President & CEO

(1) Includes concentration in construction and real estate sector.
(2) Includes options and shares risk.
(3) Includes AML and terror financing risk and cross-border risk.
(4) The risk of impairment of the Bank's results due to negative reports about the Bank.
(5) The definition of strategic business risk includes the capital planning and management process.

The risk profile for the third quarter of 2023, prior to the war, which is based on risk values at end of the third quarter of 2023, remained un-changed.

The assessment of other risks, prior to the war, reflects uncertainty which about the economy, with regard to the global geo-political effects, the state of the global and local economies and changes to the macro-economic environment, as well as the high interest environment and implications thereof.

The Bank's current risk assessment reflects the significant economic uncertainty due to effects of the war started after the end of the third quarter. Note that no significant indications have been identified to date, which support the actual increase in risk. Nevertheless, from a forward-looking viewpoint, the Bank slightly increased its risk assessment with regard to the second quarter of 2023 and end of 2022, in particular with regard to borrower and collateral quality risk, which reflects concern about higher business credit risk.

All other risk levels remained un-changed. The Bank currently is of the opinion that they are appropriate, even given the potential effects of systemic events. Note that significant indications of increased level of such risks have yet to be identified.

The Bank has sufficient safety margins for minimum capital and leverage ratios, even given the increase in systemic risk.

The Bank continues to monitor developments and to conduct increased monitoring of the effects of the war and derivatives thereof on economic activity and, consequently, on Bank activity and various risk aspects.

We emphasize that strategic business risk remained un-changed, due to the fact that at the strategic level, there has been no change to the Bank's business model based on the current strategic plan outline, and the Bank is in line with its business targets. However, strategic business risk incorporates all of the Bank's business operations, also reflecting the risk in the Bank's business environment, and the Bank is reviewing the increase in geo-political risk and the macro-economic and business implications that may materialize should the war last longer and/or should it expand to other regions.

Regulatory business risk is assessed to be Medium-High. This risk refers to impact of new legislation and regulations and regulations in core matters of the financial system. As noted above, in the third quarter of 2023, regulatory business risk remained un-changed, and also reflects potential business implications for banking operations due to the war.

The overall level of credit risk remained Medium. The risk level is slightly higher than previously, reflecting assessment of potential effects of the war, along with continued uncertainty with regard to the macro-economic environment. These changes affect borrower operations, and may increase credit risk. Effects of the war on credit risk are not immediately reflected, but rather over the longer term. The more prolonged the war and based on the overall state of the economy and actual indicators, overall credit risk may increase.

Specifically, the Bank's assessment is that borrower and collateral quality risk has increased from Medium to Medium-High. This increase is due to growing concern about economic deterioration due to the war and its potential effects on business borrowers. The effects of the war have yet to manifest and there were no material changes to risk benchmarks. The assessment is that due to the war and its effects, the potential for impact to business activity has increased overall, and in specific risk concentrations in particular. These risk concentrations include borrowers and businesses in border regions, activity in sectors identified as affected by the war, and borrowers and businesses that were at high risk even prior to the war, who are more sensitive and vulnerable to external events.

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. 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 15.3% (compared to 15.2% in the second quarter of 2023 and to 15.3% at end of 2022). Due to the war, there is concern about increased risk in the construction and real estate sector, due to slower progress of construction due to shortage of workers, which may cause delays in apartment delivery and decrease in residential construction starts. There is also concern about decrease in apartment sales pace and in collection of sales proceeds. However, compared to the first days of the war, it would appear that normal operations are gradually being resumed. The Bank monitors the effects of changes on Bank operations.

The Bank has announced a range of relief measures for borrowers, designed to facilitate the debt burden, including loans at preferential terms, bonuses to affected small businesses, payment deferment etc. The Bank also participates in the loan fund for businesses, launched by the Government in early November 2023.

The risk level in the mortgage portfolio prior to the war was Low-Medium, reflecting the potential for cumulative effects of higher interest rates and high inflation on borrower repayment capacity. The uncertainty due to the war has kept the current risk level un-changed. Note that during COVID, which saw extensive mortgage deferment, in actual fact, it turned out that upon the economy resuming normal activity, the risk potential in the mortgage portfolio did not materialize. Note that risk benchmarks throughout the reported period do not currently indicate any deterioration or material change in risk level.

The Bank allows customers to defer mortgage payments, including all types of residential mortgages, including general-purpose loans. The deferment period is for up to 12 months.

The Bank constantly reviews the risk measures and risk levels, adapting them as required to current business activity, subject to and in line with the risk appetite. The Bank also takes measures to improve borrower repayment capacity and to reduce risk.

Below is current data about payment deferment for customers due to the war (NIS in millions):

	As of November 24, 2023		
Loans to the public	**Recorded debt balance**	**Number of loans**	**Payment amounts deferred**
Large businesses	126	59	20
Medium businesses	212	295	31
Small businesses	2,948	12,014	504
Private individuals	743	14,276	84
Residential mortgages	19,500	(1)19,957	523
Total	**23,529**	**46,601**	**1,162**

(1) Number of Borrowers.

For more information with regard to increase in the provision for credit losses in the third quarter of 2023, see chapter "Policies and critical accounting estimates" below.

Since the war started, the Emergency Credit Forum, headed by the Manager, Corporate Division (Credit Risks Officer), convenes frequently to discuss management of credit risk arising from the decline in economic activity and impact on various affected economic sectors, capital market and foreign currency exposures and exposure to key customers affected, or that may be affected, by the war (in particular, customers in the Southern region).

The overall risk level of market and interest risk remained Low-Medium. Interest risk remained Medium, after increasing in the fourth quarter of 2022, from Low-Medium to Medium, due to the higher interest rates, high uncertainty and impact for borrower and depositor behavior, in particular the trend of balance transition from current accounts to deposits and changes to mortgage performance mix towards options less sensitive to changes in interest rates. In October, the Bank of Israel interest rate remained unchanged at 4.75%. Risk values remain high, and are primarily affected by changes in interest rate curves, which have seen increased volatility.

Liquidity risk remained low-medium. Since the war started, and due to the security situation in Israel, the Bank's alert level with regard to liquidity increased, although there was no material change to relevant indicators, due to the wish to closely monitor any potential changes in the situation. The Bank frequently convenes the Emergency Financial Forum to monitor all financial parameters and changes there to. In practice, no events nor indications were observed which would indicate realization of a liquidity event. In the third quarter of 2023, the Bank maintained high liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. The average liquidity coverage ratio (on consolidated basis) for the third quarter of 2023 was 138%. The net stable funding ratio (on consolidated basis) as of September 30, 2023 was 113% and there were no deviations from the risk appetite limitations. The Bank maintains high surplus foreign currency, and closely manages its liquidity based on specified guidelines, including ongoing review of Bank compliance with systemic emergency scenarios.

In the third quarter of 2023, technology risk remained Medium. This is a material risk factor for the Bank, and potential damage due to realization of such risk may be significant. 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 the current quarter, in view of the security situation, there were no material events with regard to technology, but there is concern about impact to infrastructure and reduced staffing, which has yet to materialize so far. The Bank focused on maintaining a state of readiness to provide a complete technology resolution for the Bank as a whole, including readiness for deterioration in the security situation, concurrently with development of technology solutions regarding consumer aspects required in emergency, including implementation of benefits provided to assist Bank customers at this time.

Information security and cyber risk remained Medium. In this quarter, a small number of fraud attempts against customers 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. Due to the security situation, the risk of attempted cyber attacks in the banking system is higher, as is the potential for materialization of this risk. In order to identify and thwart cyber events, the Bank has raised its alert, vigilance and readiness for such events. The Bank also acts to prevent fraud, by bolstering its monitoring activity to identify any suspect activity in customer accounts. There is constant activity by attack groups, along with continued activity and bolstering of the Bank's control and protection system.

In late October and in early November 2023, several DDoS attacks were conducted against the Bank's marketing website. Throughout this attack, the Bank app and transaction website operated normally, and this attack had no significant impact on the Bank's business activity.

Compliance and regulatory risk remained Low-Medium. The Bank applies the current and new regulatory provisions. In view of effects of the war, the Bank increased its management focus and monitoring with regard to fairness to customers, in particular for accounts of customers involved in the war or affected by implications thereof. The Bank took action to implement diverse relief measures in order to identify customers with no ID documents, while hedging the potential risk due to such activity, and to identify accounts of those affected by the war, in order to avoid misuse of such accounts by unauthorized persons.

AML and terror financing risk is higher due to the war, and consequently the Bank increased monitoring and handling of this matter, while bolstering controls over transactions and customers at risk. Therefore, this risk level currently remains un-changed.

On October 10, 2023, the AML Authority addressed a letter to the financial sector and to the public, asking them to increase alertness to AML attempts in view of the war and the state of emergency. The Bank operates in conformity with directives and guidelines: to effectively and immediately identify, control, monitor, discover and report to the AML Authority any activities perceived to carry potential AML and terror financing risk.

The Bank's reputational risk remained Low. The Bank closely monitors various benchmarks and indicators with regard to the Bank's reputation.
Special attention is paid to customer-facing service at this time, including response and assistance to customer inquiries in view of the war, with emphasis on urgent / humanitarian inquiries. To date there was no material impact on the Bank's reputational risk.

Legal risk remained Low-medium. In this quarter there were no unusual events which may impact Bank exposure.

Credit risk

Risk description and development thereof

Credit risk is the risk that a borrower or counter party of the Bank would not meet their obligations to the Bank. Credit risk is a material risk for Bank operations. This risk is affected by these major factors: Business risk due to customer activities, concentration risk due to over-exposure to a borrower or borrower group and to economic sectors, geographic concentration risk, risk due to exogenous changes which mostly involve changes to the borrower's macro-economic environment, environmental risks and climate risks 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 level of credit risk remained Medium. The risk level is slightly higher than previously, reflecting assessment of potential effects of the war, along with continued uncertainty with regard to the macro-economic environment. These changes affect borrower operations, and may increase credit risk. Effects of the war on credit risk are not immediately reflected, but rather over the longer term. The more prolonged the war and based on the overall state of the economy, overall credit risk may increase.

Specifically, the Bank's assessment is that borrower and collateral quality risk has increased from Medium to Medium-High. This increase is due to growing concern about economic deterioration due to the war and its potential effects on business borrowers. The effects of the war have yet to manifest and there were no material changes to risk benchmarks.

The assessment is that due to the war and its effects, the potential for impact to business activity has increased overall, and in specific risk concentrations in particular. These risk concentrations include borrowers and businesses in border regions, activity in sectors identified as affected by the war, and borrowers and businesses that were at high risk even prior to the war, who are more sensitive and vulnerable to external events.

The risk level in the mortgage portfolio prior to the war was Low-Medium, reflecting the potential for cumulative effects of higher interest rates and high inflation on borrower repayment capacity. The uncertainty due to the war has kept the current risk level un-changed. Note that during COVID, which saw extensive mortgage deferment. In reality, it turned out that upon the economy resuming normal activity, the risk potential in the mortgage portfolio did not materialize Note that risk benchmarks throughout the reported period do not currently indicate any deterioration or material change in risk level.

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, 2023, there was one borrower group whose indebtedness exceeded 15% of Bank capital, as defined in Proper Conduct of Banking Business Directive 313. This borrower group includes a large Government corporation in the energy sector, which is a natural monopoly in its field, as well as other borrowers in this field which are highly diversified and whose major source for credit repayment relies on their business with said corporation. The net indebtedness for this group is NIS 4.5 billion, of which NIS 1.3 billion with respect to off-balance sheet exposure. The effect of the potential off-balance sheet exposure with respect to derivative instruments is not material.

For more information about significant exposures to borrower groups, see chapter "Credit Risk" in the Report of the 2022 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, 2023 (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	1,702	702	2,404
2.	Construction and real estate	731	486	1,217
3.	Civil Engineering Works	452	741	1,193
4.	Financial services	2	1,036	1,038
5.	Construction and real estate	328	563	891
6.	Power	560	321	881

(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 and the economic environment in which it operates.

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

Credit for equity transactions (NIS in millions):

	September 30, 2023				September 30, 2022				December 31, 2022			
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	344	1	345	–	357	2	359	–	353	2	355	–
Mining and excavation	554	69	623	–	531	–	531	–	523	–	523	–
Water	176	16	192	–	166	20	186	–	168	18	186	–
Transport and storage	621	–	621	–	–	–	–	–	–	–	–	–
Financial services	–	–	–	–	–	–	–	–	260	–	260	–
Total	**1,695**	**86**	**1,781**	**–**	**1,054**	**22**	**1,076**	**–**	**1,304**	**20**	**1,324**	**–**

Credit to leveraged companies (NIS in millions):

	September 30, 2023				September 30, 2022				December 31, 2022			
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**
Industry and production	131	22	153	–	96	40	136	–	222	40	262	–
Construction and real estate	934	104	1,038	–	225	116	341	–	394	123	517	–
Power	371	196	567	–	373	158	531	–	376	146	522	–
Commerce	190	4	194	–	140	4	144	–	142	4	146	–
Transport and storage	535	83	618	–	554	51	605	31	564	78	642	31
Total	**2,161**	**409**	**2,570**	**–**	**1,388**	**369**	**1,757**	**31**	**1,698**	**391**	**2,089**	**31**

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, 2023	**September 30, 2022**	**December 31, 2022**
Problematic credit risk:			
Non-accruing credit risk	3,147	2,645	2,612
Accruing problematic credit risk	2,458	1,254	1,549
Total problematic credit risk	**5,605**	**3,899**	**4,161**

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

	September 30, 2023	**September 30, 2022**	**December 31, 2022**
Percentage of loans to the public:			
Non-accruing loans as percentage of total loans to the public	0.94	0.86	0.83
Non-accruing loans as percentage of total loans other than residential mortgages	1.02	1.19	1.10
Non-accruing loans as percentage of residential mortgages	0.90	0.67	0.68
Problematic loans as percentage of total loans other than residential mortgages	2.96	2.10	2.31
Ratio of residential mortgages in arrears 90 days or longer to total loans to the public	0.47	0.33	0.35
Ratio of problematic credit risk to total credit risk with respect to the public	1.34	0.99	1.06

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

Analysis of change to non-accruing debts

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

Movement in non-accruing loans to the public	**For the nine months ended September 30, 2023**				**For the nine months ended September 30, 2022**				**For the year ended December 31, 2022**			
	Comme-rcial	**Residen-tial**	**Indivi-dual**	**Total**	**Commer-cial**	**Housing(1)**	**Indivi-dual**	**Total**	**Comme-rcial**	**Residen-tial**	**Indivi-dual**	**Total**
Non-accruing loans to the public – balance at start of period	1,193	1,329	55	2,577	1,193	–	56	1,249	1,193	–	56	1,249
Effect of initial application of rules for identification and classification of problematic debts	–	–	–	–	–	1,174	–	1,174	–	1,174	–	1,174
Loans classified as non-accruing during the period	581	1,207	37	1,825	433	350	68	851	481	482	63	1,026
Loans resuming accrual of interest revenues during the period	(217)	(691)	(8)	(916)	(59)	(216)	(35)	(310)	(68)	(319)	(46)	(433)
Loans subject to accounting write-off	(98)	–	(4)	(102)	(92)	–	(6)	(98)	(164)	–	(8)	(172)
Loans repaid	(280)	(4)	(9)	(293)	(205)	(6)	(10)	(221)	(249)	(8)	(10)	(267)
Balance of non-accruing debts – end of period	**1,179**	**1,841**	**71**	**3,091**	**1,270**	**1,302**	**73**	**2,645**	**1,193**	**1,329**	**55**	**2,577**

Of which: Movement in non-accruing credit subject to re-structuring	**For the nine months ended September 30, 2023**				**For the nine months ended September 30, 2022**				**For the year ended December 31, 2022**			
	Commer-cial	**Reside-ntial**	**Indivi-dual**	**Total**	**Commer-cial**	**Housing(1)**	**Indivi-dual**	**Total**	**Commer-cial**	**Reside-ntial**	**Indivi-dual**	**Total**
Non-accruing credit balance subject to re-structuring – at start of period	173	41	34	248	367	–	31	398	367	–	31	398
Effect of initial application of rules for identification and classification of problematic debts	–	–	–	–	–	25	–	25	–	25	–	25
Re-structuring carried out during the period	43	4	19	66	86	14	24	124	94	16	24	134
Loans resuming accrual of interest revenues	(25)	–	(9)	(34)	(108)	–	(6)	(114)	(116)	–	(8)	(124)
Credit under restructuring written off	(15)	–	(2)	(17)	(11)	–	(2)	(13)	(14)	–	(3)	(17)
Credit under restructuring repaid	(39)	–	(6)	(45)	(58)	–	(15)	(73)	(65)	–	(9)	(74)
Other changes	–	–	–	–	(88)	–	6	(82)	(93)	–	(1)	(94)
Non-accruing credit balance subject to re-structuring – at end of period	**137**	**45**	**36**	**218**	**188**	**39**	**38**	**265**	**173**	**41**	**34**	**248**

(1) Reclassified

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					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds	Total
For the three months ended September 30, 2023						
Balance of provision for credit losses at start of period	1,872	965	590	3,427	1	3,428
Expenses with respect to credit losses	395	172	119	686	8	694
Net accounting write-offs	(11)	–	(23)	(34)	–	(34)
Balance of provision for credit losses at end of period	**2,256**	**1,137**	**686**	**4,079**	**9**	**4,088**
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 nine months ended September 30, 2023						
Balance of provision for credit losses at start of period	1,690	902	512	3,104	1	3,105
Expenses with respect to credit losses	663	235	262	1,160	8	1,168
Net accounting write-offs	(97)	–	(88)	(185)	–	(185)
Balance of provision for credit losses at end of period	**2,256**	**1,137**	**686**	**4,079**	**9**	**4,088**
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**

(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, 2023	September 30, 2022	December 31, 2022
Ratio of provision for credit losses to total loans to the public	1.25	0.97	1.00
Ratio of provision for credit losses to total credit risk with respect to the public	0.98	0.76	0.79
	Nine months [1]		**All of**
	2023	**2022**	**2022**
Ratio of expenses with respect to credit losses to average balance of loans to the public, gross	0.49	0.16	0.18
Ratio of net write-offs to average balance of loans to the public, gross	0.08	0.05	0.09
Ratio of expenses with respect to credit losses to average balance of loans to the public, net	0.49	0.16	0.18
Of which: With respect to commercial loans other than residential mortgages	1.08	0.32	0.41
Of which: with respect to residential mortgages	0.16	0.06	0.05
Ratio of net write-offs to average balance of loans to the public, net	0.08	0.05	0.09

(1) Annualized.

Loans bearing variable interest

The Bank, *inter alia* through a dedicated forum headed by the CRO and attended by representatives of the various business lines, monitors the impact of interest rate increases on credit risk management across the various segments, including in the mortgage portfolio. Insights gained from these discussions and decisions with regard to further action, including proactively contacting customers, are passed accordingly.

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

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

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

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

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

As for credit to individual customers, 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 credit portfolio for individuals using, inter alia, the internal credit rating model for individual customers, as well as through continuous monitoring and analysis of expenses with respect credit losses.

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

		As of September 30	As of December 31
	2023	**2022**	**2022**
Debts			
Current account balances	2,046	2,004	2,106
Utilized credit card balances	4,858	4,917	4,648
Auto loans – adjustable interest	2,244	2,399	2,518
Auto loans – fixed interest	3,762	2,087	2,613
Other loans and credit – variable interest	13,700	13,640	13,801
Other loans and credit – fixed interest	600	959	849
Total debt (on-balance sheet credit)	**27,210**	**26,006**	**26,535**
Un-utilized facilities, guarantees and other commitments			
Current accounts – un-utilized facilities	5,444	5,274	5,200
Credit cards – un-utilized facilities	9,165	8,689	8,960
Guarantees	300	301	312
Other liabilities	34	36	36
Total un-utilized facilities, guarantees and other commitments (off-balance sheet credit)	**14,943**	**14,300**	**14,508**
Total credit risk to individuals	**42,153**	**40,306**	**41,043**
Of which:			
Bullet / balloon loans[3]	708	486	576
Financial asset portfolio and other collateral against credit risk[4]			
Financial assets portfolio:			
Deposits	4,229	4,451	4,250
Securities	232	304	275
Other monetary assets	179	220	206
Other collateral[5]	3,371	2,777	3,072
Total financial assets portfolio and other collateral against credit risk	**8,011**	**7,752**	**7,803**

(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, 2023 Number of Borrowers	Total credit risk	As of September 30, 2022 Number of Borrowers	Total credit risk	As of December 31, 2022 Number of Borrowers	Total credit risk
	Up to 10	261,871	807	250,597	885	262,086	813
Above 10	Up to 20	113,233	1,662	112,470	1,655	112,216	1,655
Above 20	Up to 40	149,353	4,351	150,025	4,364	149,977	4,398
Above 40	Up to 80	162,745	9,317	159,990	9,137	160,636	9,207
Above 80	Up to 150	104,816	11,295	101,918	10,994	103,027	11,117
Above 150	Up to 300	55,724	11,421	50,766	10,439	52,370	10,761
Above 300		8,225	3,300	6,589	2,832	7,176	3,092
Total		**855,967**	**42,153**	**832,355**	**40,306**	**847,488**	**41,043**

(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, 2023 NIS in millions	in %	As of September 30, 2022 NIS in millions	in %	As of December 31, 2022 NIS in millions	in %
Accounts with no fixed income for the account[(2)]	7,184	26.4	6,164	23.7	6,677	25.2
Less than NIS 10 thousand	3,396	12.5	4,073	15.7	4,372	16.5
Between NIS 10 thousand and NIS 20 thousand	8,088	29.7	8,065	31.0	8,034	30.3
Over NIS 20 thousand	8,542	31.4	7,704	29.6	7,452	28.0
Total	**27,210**	**100**	**26,006**	**100**	**26,535**	**100**

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

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

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

Term to maturity	As of September 30, 2023 NIS in millions	in %	As of September 30, 2022 NIS in millions	in %	As of December 31, 2022 NIS in millions	in %
Up to 1 year	4,215	20.8	4,204	22	4,246	21.5
Over 1 year to 3 years	6,143	30.3	6,034	31.6	6,234	31.5
Over 3 years to 5 years	5,029	24.8	4,486	23.5	4,717	23.8
Over 5 years to 7 years	2,193	10.8	2,012	10.5	2,098	10.6
Over 7 years[(2)]	2,726	13.3	2,349	12.4	2,486	12.6
Total	**20,306**	**100**	**19,085**	**100**	**19,781**	**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, 2023			As of September 30, 2022			As of December 31, 2022		
	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	257	9	266	221	11	232	222	6	228
Problematic credit risk rate[(2)]	0.94%	0.06%	0.63%	0.85%	0.08%	0.58%	0.84%	0.04%	0.56%

(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		2022
	2023	2022	
Expense with respect to credit losses as percentage of total loans to the public to individuals	[(1)]1.30%	0.28%	0.38%

(1) Includes group-based provision for credit losses, recognized so as to reflect the increase in credit risk in the market due to the war, though no material indicators of increase in this risk have been seen to date.

Data for credit risk to individuals show that:

- Total debts by individuals (on-balance sheet credit) increased by 4.6% compared to September 30, 2022 and by 2.5% compared to December 31, 2022.
- Composition of debts as of September 30, 2023 is as follows:
  Checking accounts - 7.5%
  Credit cards - 17.9%
  Auto loans - 22.1%
  Other loans and credit - 52.5%
- Of all debts (on-balance sheet credit) as of September 30, 2023, 29.4% is secured by financial assets and other collateral in the customer's account (compared to 29.8% as of September 30, 2022 and 29.4% as of December 31, 2022).

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

As from October 7, 2023, a state of war has been declared in Israel. The Bank assumes that this war would have implications for the real estate market in general, and for the Bank's real estate loan portfolio in particular, as follows:

- Shortage of labor – elimination of Palestinian workers currently prohibited from going to work, as well as call up of Israeli workers to military reserve duty and partial return of foreign workers to their home countries, which would result in slower progress on construction and in delayed deliveries.
- Supply and demand – slow-down in new purchase transactions nation-wide, especially in conflict regions, which would result in fewer new transactions and possibly in somewhat lower prices in the short term.

However, compared to the first days of the war, it would appear that normal operations are gradually being resumed. The Bank monitors the effects of changes on Bank operations.

In January-September 2023, the slower trend in demand for housing in Israel (started in September 2021) continued. New residential units sold in January-August 2023, annualized, was at 30 thousand residential units, compared to 41 thousand residential units in 2022. The change in sales trend is due, inter alia, to higher interest rates (from April 2022 to May 2023, the Bank of Israel raised its interest rate 10 times consecutively, by 4.65 percentage points on aggregate), higher mortgage cost and higher alternative interest rates for investments, which resulted in decrease in apartment buying by investors as well as buyers for residential purposes. Moreover, in September-October 2022 to July-August 2023, prices of new apartments decreased by 3.9% on aggregate.

Total housing construction starts in the 12 months from July 2022 to June 2023 were 58 thousand residential units, a decrease by 20.3% compared to the corresponding period in the previous year. Residential housing construction completions increased by 4.4%, to 53 thousand residential units. At end of July 2023, the inventory of unsold new apartments continued its upward trend, reaching 60 thousand apartments, an increase by 26% compared to July last year, with 30% of unsold apartments in the Central region.

The war implications for this sector and higher interest rates, higher mortgage repayments for buyers and higher financing cost for developers have slowed down the demand and new residential construction starts, and therefore the Bank assumes that the risk associated with this sector is higher.

In late 2022, indications of a slow-down in the high-tech sector appeared; This sector is a major user of office space, and this resulted in a shift to decrease in rent in this segment, which may further decrease as the slow-down becomes more pronounced. 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. Bank operations in this sector are conducted while adhering to appropriate underwriting procedures and credit spreads to reflect the risk. The risk level in this sector is also taken into account in the quarterly review process of the group-based provision.

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

In the first nine months of 2023, growth in the construction and real estate sector was more moderate, primarily in housing bonds and performance guarantees, as part of the trend of decrease in demand in this sector reflected, inter alia, in decrease in new transaction volume, which was impacted by higher interest rates. Consequently, the total credit exposure to the construction and real estate sectors increased by 6.6% in the first nine months of 2023.

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, 2023, as presented below (Credit Risk by Economic Sector) is 15.3%. 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 11.3% (excluding liabilities, including contingent liabilities to extend credit or to provide guarantees and amounts of housing bonds and loans to finance land, for which the Bank has obtained insurance policies). The Bank reviews in each quarter the calculation of the group-based provision for credit losses in this sector, and adjusts this provision so as to account, inter alia, for growth in the loan portfolio and the underwriting conditions.

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 10 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, 2023

	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)]: Guarantees to home buyers[(5)]	Off balance sheet[(3)]: Facilities and other commitments	Of which:	Non – accruing	Other proble-matic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
Secured by real estate:								
Housing	21,306	5,507	13,590	40,403	34	428	219	25
Commercial and industrial	9,056	108	2,059	11,223	119	329	176	5
Total secured by real estate	**30,362**	**5,615**	**15,649**	**51,626**	**153**	**757**	**395**	**30**
Not secured by real estate	5,625	12	5,146	10,783	103	156	147	23
Total for construction and real estate economic sector in Israel	**35,987**	**5,627**	**20,795**	**62,409**	**256**	**913**	**542**	**53**
Of which: Designated for project assistance	20,489	5,577	12,757	38,823	22	474	159	26

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)]: Guarantees to home buyers[(5)]	Off balance sheet[(3)]: Facilities and other commitments	Of which:	Non – accruing[(6)]	Other proble-matic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
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**	**13,736**	**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

December 31, 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)]: Guarantees to home buyers[(5)]	Off balance sheet[(3)]: Facilities and other commitments	Of which:	Non – accruing	Other proble-matic[(4)]	On-balance sheet credit risk	Off-balance sheet credit risk
Secured by real estate:								
Housing	19,386	6,007	10,848	36,241	28	296	83	60
Commercial and industrial	9,016	189	2,373	11,578	128	138	123	5
Total secured by real estate	**28,402**	**6,196**	**13,221**	**47,819**	**156**	**434**	**206**	**65**
Not secured by real estate	5,352	5	5,373	10,730	109	92	160	25
Total for construction and real estate economic sector in Israel	**33,754**	**6,201**	**18,594**	**58,549**	**265**	**526**	**366**	**90**
Of which: Designated for project assistance	18,797	5,072	11,107	34,976	19	347	61	63

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

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

	September 30, 2023			September 30, 2022			December 31, 2022		
	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	15,900	833	16,733	15,182	867	16,049	15,710	703	16,413
Real estate under construction	7,160	18,703	25,863	5,263	17,363	22,626	5,791	16,833	22,624
Real estate completely constructed	7,302	1,728	9,030	6,687	1,981	8,668	6,901	1,881	8,782
Total credit secured by real estate in Israel	**30,362**	**21,264**	**51,626**	**27,132**	**20,211**	**47,343**	**28,402**	**19,417**	**47,819**
Not secured by real estate	5,625	5,158	10,783	5,414	5,321	10,735	5,352	5,378	10,730
Total credit risk for construction and real estate	**35,987**	**26,422**	**62,409**	**32,546**	**25,532**	**58,078**	**33,754**	**24,795**	**58,549**

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	
	2023	2022	Change
	Credit risk to the public[1]		
Credit risk at performing credit rating:			
Total non-problematic credit risk	59,131	56,077	5.4%
Credit risk other than at performing credit rating:			
Problematic accruing	913	526	73.6%
Problematic non-accruing	256	265	(3.4%)
Non-problematic	2,109	1,681	25.5%
Total credit risk other than at performing credit rating	**3,278**	**2,472**	**32.6%**
Total credit risk for construction and real estate	**62,409**	**58,549**	**6.6%**

(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, 2023

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	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	1,123	1,082	20	21	1,122	834	21	12	5	3	22
Mining and excavation	1,240	1,064	167	9	1,152	366	7	1	–	–	6
Industry and production	18,277	17,308	305	664	17,888	10,545	653	217	131	5	432
Of which: Diamonds	1,795	1,593	61	141	1,795	1,245	141	48	21	(2)	59
Construction and real estate – construction[6]	52,831	50,327	1,772	732	52,726	27,196	732	162	59	12	387
Construction and real estate – real estate operations	9,578	8,804	337	437	9,046	8,163	437	94	95	3	208
Electricity and water delivery	10,663	10,214	441	8	10,370	6,443	8	1	13	5	84
Commerce	17,229	16,026	540	663	17,107	13,241	661	201	191	11	472
Hotels, dining and food services	2,069	1,856	117	96	2,057	1,581	96	50	54	11	138
Transport and storage	3,710	2,876	674	160	3,661	3,108	160	29	17	6	92
Information and communications	2,164	2,104	26	34	2,057	1,301	34	28	6	8	26
Financial services	21,295	21,170	99	26	15,841	9,678	26	21	(11)	–	34
Other business services	7,252	6,925	109	218	7,244	4,883	218	75	32	20	174
Public and community services	3,484	3,094	216	174	3,452	2,803	174	161	45	13	120
Total commercial	**150,915**	**142,850**	**4,823**	**3,242**	**143,723**	**90,142**	**3,227**	**1,052**	**637**	**97**	**2,195**
Private individuals – residential mortgages	215,308	210,930	2,537	1,841	215,308	204,840	1,841	1,841	235	–	1,137
Private individuals – other	42,158	41,533	359	266	42,153	27,210	266	72	262	88	686
Total public – activity in Israel	**408,381**	**395,313**	**7,719**	**5,349**	**401,184**	**322,192**	**5,334**	**2,965**	**1,134**	**185**	**4,018**
Banks in Israel	2,829	2,829	–	–	1,034	1,034	–	–	–	–	–
Government of Israel	15,386	15,386	–	–	136	136	–	–	–	–	–
Total activity in Israel	**426,596**	**413,528**	**7,719**	**5,349**	**402,354**	**323,362**	**5,334**	**2,965**	**1,134**	**185**	**4,018**
Borrower activity overseas											
Total public – activity overseas	8,595	7,938	401	256	8,295	5,279	250	161	34	–	69
Overseas banks	17,851	17,851	–	–	17,584	17,393	–	–	–	–	–
Overseas governments	1,330	1,329	–	1	673	531	1	1	–	–	1
Total activity overseas	**27,776**	**27,118**	**401**	**257**	**26,552**	**23,203**	**251**	**162**	**34**	**–**	**70**
Total	**454,372**	**440,646**	**8,120**	**5,606**	**428,906**	**346,565**	**5,585**	**3,127**	**1,168**	**185**	**4,088**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 346,565; bonds – 18,384; securities borrowed or acquired in conjunction with resale agreements – 24; (on- and off-balance sheet) credit risk with respect to derivatives – 7,058; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 82,341.
(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 1,388 million and off-balance sheet credit risk amounting to NIS 1,689 million, extended to certain purchase groups which are in the process of construction. For more information on credit exposures secured by international re-insurers, see "Key exposure to foreign countries" below.

Credit risk by economic sector – Continued

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]						
		Of which:							Credit losses[3]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non – accruing	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,202	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[7]	207,661	204,465	1,894	1,302	207,661	193,616	1,302	1,302	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**	**376,400**	**4,759**	**3,822**	**378,702**	**302,584**	**3,822**	**2,599**	**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**	**390,144**	**4,759**	**3,822**	**379,694**	**303,320**	**3,822**	**2,599**	**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**	**409,108**	**5,077**	**3,899**	**397,215**	**318,697**	**3,899**	**2,646**	**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; Assets 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 bond portfolio from international reinsurers.

(7) Reclassified.

Credit risk by economic sector – Continued

As of December 31, 2022

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	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	1,215	1,179	13	23	1,215	945	23	13	4	3	20
Mining and excavation	982	967	–	15	834	323	15	10	1	–	6
Industry and production	15,185	14,303	283	599	14,878	9,568	599	273	31	90	306
Of which: Diamonds	1,785	1,580	65	140	1,785	1,195	140	76	19	12	36
Construction and real estate – construction[6]	50,120	48,065	1,430	625	50,035	25,918	625	159	118	36	340
Construction and real estate – real estate operations	8,429	8,012	251	166	7,910	7,248	166	106	18	–	116
Electricity and water delivery	9,101	9,051	47	3	8,828	5,223	3	2	16	19	76
Commerce	14,891	13,947	571	373	14,757	11,183	373	169	11	(46)	292
Hotels, dining and food services	1,985	1,807	86	92	1,974	1,532	92	50	–	10	95
Transport and storage	2,476	1,698	608	170	2,451	1,926	170	129	(8)	(12)	81
Information and communications	2,295	2,235	27	33	2,219	1,497	33	28	13	14	28
Financial services	18,924	18,856	45	23	14,696	9,246	23	20	15	47	45
Other business services	7,162	6,761	123	278	7,155	4,798	278	127	40	7	162
Public and community services	3,375	2,992	218	165	3,347	2,705	165	130	44	1	88
Total commercial	**136,140**	**129,873**	**3,702**	**2,565**	**130,299**	**82,112**	**2,565**	**1,216**	**303**	**169**	**1,655**
Private individuals – residential mortgages	208,125	204,724	2,072	1,329	208,125	196,703	1,329	1,329	99	–	902
Private individuals – other	41,047	40,459	360	228	41,043	26,535	228	56	97	67	512
Total public – activity in Israel	**385,312**	**375,056**	**6,134**	**4,122**	**379,467**	**305,350**	**4,122**	**2,601**	**499**	**236**	**3,069**
Banks in Israel	3,417	3,417	–	–	1,648	1,149	–	–	–	–	–
Government of Israel	11,065	11,065	–	–	18	18	–	–	–	–	–
Total activity in Israel	**399,794**	**389,538**	**6,134**	**4,122**	**381,133**	**306,517**	**4,122**	**2,601**	**499**	**236**	**3,069**
Borrower activity overseas											
Total public – activity overseas	7,371	6,850	482	39	7,171	5,006	39	11	33	33	35
Overseas banks	17,764	17,764	–	–	17,502	17,485	–	–	–	–	–
Overseas governments	1,757	1,757	–	–	300	300	–	–	–	–	1
Total activity overseas	**26,892**	**26,371**	**482**	**39**	**24,973**	**22,791**	**39**	**11**	**33**	**33**	**36**
Total	**426,686**	**415,909**	**6,616**	**4,161**	**406,106**	**329,308**	**4,161**	**2,612**	**532**	**269**	**3,105**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 329,308; bonds – 14,492; securities borrowed or acquired in conjunction with resale agreements – 315; (on- and off-balance sheet) credit risk with respect to derivatives – 5,773; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 76,798.
(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 1,352 million and off-balance sheet credit risk amounting to NIS 1,779 million, provided to certain purchase groups in the process of construction and includes off-balance sheet credit risk amounting to NIS 7,310 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.

Exposure to foreign countries[1]

Reported amounts (NIS in millions)

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

Country	September 30, 2023			September 30, 2022[2][3]			December 31, 2022[2]		
							Exposure		
	On balance sheet[4]	Off-balance sheet[4][5][6]	Total	On balance sheet[4]	Off-balance sheet[4][5][6]	Total	On balance sheet[4]	Off-balance sheet[4][5][6]	Total
USA	22,054	2,339	24,393	14,389	1,627	16,016	21,520	1,483	23,003
Barbados[7]	5,463	–	5,463	5,931	–	5,931	5,803	–	5,803
Others[8]	11,108	10,235	21,343	6,861	7,347	14,208	6,733	8,932	15,665
Total exposure to foreign countries	**38,625**	**12,574**	**51,199**	**27,181**	**8,974**	**36,155**	**34,056**	**10,415**	**44,471**
Of which: To Greece, Portugal, Spain, Italy	63	76	139	54	6	60	52	4	56
Of which: Total exposure to LDC countries	680	135	815	629	58	687	608	86	694

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

(2) 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 7,371 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, 2022: NIS 6,239 million; As of December 31, 2022: NIS 7,343 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) Balance sheet exposure includes NIS 3,612 million with respect to acquiring insurance from international reinsurers for the loan portfolio to finance land purchase for borrowers in the real estate sector in Israel.

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

As of September 30, 2023, September 30, 2022 and December 31, 2022, there are no foreign countries for which the balance sheet exposure exceeds the threshold for this disclosure.

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

	For the nine months ended On September 30, 2023	For the nine months ended On September 30, 2022	For the year ended December 31, 2022
	Barbados	Barbados	Barbados
Exposure at start of reported period	5,803	–	–
Net changes to exposure	(340)	5,931	5,803
Exposure at end of reported period	**5,463**	**5,931**	**5,803**

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

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

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, 2023
AAA to AA- [(7)]	6,753	4,774	11,527
A+ to A-	3,205	3,309	6,514
BBB+ to BBB-	–	5	5
BB+ to B-	–	–	–
Lower than B-	–	–	–
Unrated	1	23	24
Total credit exposure to foreign financial institutions	**9,959**	**8,111**	**18,070**

External credit rating	On-balance sheet credit risk[(3)]	Current off-balance sheet credit risk[(4)]	Current credit exposure
			September 30, 2022
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)]	Current off-balance sheet credit risk[(4)]	Current credit exposure
			December 31, 2022
AAA to AA- [(7)]	6,162	7,273	13,435
A+ to A-	875	845	1,720
BBB+ to BBB-	3	20	23
BB+ to B-	–	–	–
Lower than B-	–	–	–
Unrated	1	18	19
Total credit exposure to foreign financial institutions	**7,041**	**8,156**	**15,197**

(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 USA, Barbados, Germany, Ireland, France and Switzerland.

(2) After deduction of provision for credit losses.

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

(4) The balance of off-balance sheet exposure to financial institutions includes NIS 7,371 million as of September 30, 2023 (as of September 30, 2022: NIS 6,239 million; as of December 31, 2022: NIS 7,343 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) The Bank Group has exposure to foreign financial institutions, as defined in Proper Conduct of Banking Business Directive 202, in excess of 15% of the capital base: Exposure to Barbados, amounting to NIS 5,463 million, rated equivalent to AA- (total exposure at end of 2022 amounted to NIS 5,803 million, rated equivalent to AA-).

Due to the higher inflation, many central banks started to apply a restraining monetary policy and to raise interest rates. Higher interest rates persisted in the first nine months of 2023 as well. Political and macro-economic developments had negative impact on the global financial system. Many banks recognized impairment in their securities portfolios, and there is concern with regard to increase in non-accruing credit ub sine sectors, including commercial real estate and high-tech.

As from the first quarter of 2023, following the collapse of multiple banks in Europe and in the USA, the Bank expanded its close monitoring of exposures to financial institutions. Note that Bank exposure to the impacted financial institutions is very low.

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 financial date of the various nations and financial institutions and on Bank assessment of the risk level in a manner which diversifies exposure.

Exposure limits per institution include maximum exposure amount and maximum time to maturity for different types of activities and transactions. To this end, the existence (or absence) of an offset agreement for derivative operations with 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 adjusts the exposure limits from time to time as required.

Out of total Bank group exposure, NIS 624 million, is to international affiliates of financial institutions in the USA, mostly with respect to derivatives. This exposure is mostly to major US Banks rated A+ or higher, mostly Global Systemically Important Banks (G-SIBs), which are subject to strict regulatory requirements, including taking part in stress testing and increased capital requirements. All of these banks have a stable credit profile and diverse funding sources. They operate throughout the USA and globally, providing a wide range of retail, commercial and corporate banking services.

The Bank monitors public information and ratings, as well as any other information available with regard to financial institutions to which it has exposure, and adjusts the exposure limits and actual exposure as required.

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

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

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.

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 analysing 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: Per capita income, income stability, seniority and so forth. Moreover, approval of loans involves a high weighting attributed to the loan repayment to income ratio, so as to review the household repayment capacity, including under a scenario of higher interest rates.

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

The Bank sometimes requires additional bolstering, 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 risk monitoring tools.

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

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.

Regular monitoring of the risk profile of the mortgage portfolio and its evolution over time, in view of the specified risk appetite, shows that leading risk benchmarks remain stable and do not currently indicate material deterioration or change in risk level, despite the current uncertainty with regard to further developments in the macro-economic environment and its impact on the Bank. 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 2023) was 55.0% (reflecting the LTV ratio upon loan origination – see more details below).

The Bank constantly reviews the risk measures and risk levels, adapting them as required to current business activity, subject to and in line with the risk appetite, and should the potential future risk decrease, the risk level in the residential mortgage portfolio would decrease back to Low.

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

	Loans granted (NIS in millions)		
	Nine months		Rate of Change
	2023	**2022**	**In %**
Mortgages issued (for housing and any purpose)			
From the Bank's funds	20,450	38,787	(47.3)
From funds of the Finance Ministry:			
Directed loans	92	186	(50.5)
Standing loans and grants	80	83	(3.6)
Total new loans	**20,622**	**39,056**	**(47.2)**
Refinanced loans	6,683	5,034	32.8
Total loans originated	**27,305**	**44,090**	**(38.1)**
Number of borrowers (includes refinanced loans)	38,402	49,445	(22.3)

Below are details of various risk attributes of the residential mortgage portfolio(1) as of September 30, 2023 (NIS in millions):

LTV ratio	Repayment ratio	Loan age(2) (time elapsed since loan grant)						
	out of regular income	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%	2,522	7,707	18,466	33,396	27,557	12,906	102,554
	35%-50%	647	2,482	4,311	5,101	4,749	3,054	20,344
	50%-80%	–	2	17	40	55	945	1,059
	Over 80%	–	–	–	2	13	77	92
60%-75%	Up to 35%	1,567	4,748	14,693	24,901	12,852	4,650	63,411
	35%-50%	610	2,319	4,138	3,697	1,902	1,151	13,817
	50%-80%	3	3	16	18	10	268	318
	Over 80%	–	–	–	–	–	18	18
Over 75%	Up to 35%	48	197	297	645	326	1,217	2,730
	35%-50%	4	37	55	75	61	297	529
	50%-80%	–	–	1	1	2	77	81
	Over 80%	–	–	–	–	–	13	13
Total		**5,401**	**17,495**	**41,994**	**67,876**	**47,527**	**24,673**	**204,966**
Of which:								
Loans granted with original amount over NIS 2 million		876	3,082	6,963	6,340	3,095	1,187	21,543
Percentage of total residential mortgages		16.2%	17.6%	16.6%	9.3%	6.5%	4.8%	10.5%
Loans bearing variable interest:								
Non-linked, at prime lending rate		167	3,620	15,351	21,875	13,662	8,169	62,844
CPI-linked(3)		62	1,672	3,492	1,988	433	2,702	10,349
In foreign currency(3)		17	255	825	1,173	925	813	4,008
Total		**246**	**5,547**	**19,668**	**25,036**	**15,020**	**11,684**	**77,201**
Non-linked loans at prime lending rate, as percentage of total residential mortgages		3.1%	20.7%	36.6%	32.2%	28.7%	33.1%	30.7%
CPI-linked loans bearing variable interest as percentage of total residential mortgages		1.1%	9.6%	8.3%	2.9%	0.9%	11.0%	5.0%
Loans with LTV over 75% as percentage of total residential mortgages		1.0%	1.3%	0.8%	1.1%	0.8%	6.5%	1.6%

(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).

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, 2023).

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, 2023 was 55.0%, compared to 53.9% on September 30, 2022 and to 54.6% on December 31, 2022. Out of the total loan portfolio of the Bank, amounting to NIS 205.0 billion, some 98.3% were granted with an original LTV ratio under 75%, which secures the loan even in case of a significant 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 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 0.7 billion, or only 0.3% of the total residential mortgage portfolio.

Note, in this regard, that the Bank's average LTV ratio as of September 30, 2023, 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 3.6%. For loans originated one to 5 years ago – by 4.7%; for loans originated over 5 years ago – by 17.5%; for all loans in total – by 9.1%.

The percentage of loans granted with a high LTV ratio (over 75%) out of total residential mortgage portfolio of the Bank to 0.7% for loans granted 1-2 years ago, 1.5% for loans granted 3-12 months ago and 1.1% for loans granted in the third quarter of 2023.

Repayment as percentage of regular income

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

The average repayment ratio for the Bank's residential mortgage portfolio is 26.3%. Some 82.5% of the Bank's mortgage portfolio were granted to borrowers with a repayment ratio under 35% (the average repayment ratio for these borrowers is: 23.3%). Some 16.8% of the mortgage portfolio were granted to borrowers with a repayment ratio of 35% to 50% (the average repayment ratio for these borrowers is: 39.1%). Only 0.8% of all mortgages were extended to borrowers with a repayment ratio over 50%.

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

Loans bearing variable interest

The Bank offers customers residential mortgages which in part bear adjustable interest and in part are linked (to CPI, foreign currency) or 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 applies 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 19.1 billion, or 9.3% 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 21.5 billion on September 30, 2023, or 10.5% of the Bank's residential mortgage portfolio.

For more information about residential mortgages risk, see also the 2022 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 as the risk of loss due to inappropriateness or failure of internal processes, people and systems or due to external events. 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" and maintains high readiness for emergency scenarios. In the third quarter of 2023, the Bank completed a revision of its policy document on business continuity, and continued to promote the exercise and implementation program with regard to business continuity, including exercise of the backup trading room, completion of training at Bank units and further maintenance and regular revision of emergency plans.

In view of the war started on October 7, 2023, and given the declaration of a Special Homeland Situation nation-wide declared by state entities, the Bank declared a State of Emergency and activated its emergency plans for the war scenario and its emergency management and reporting frameworks. The Bank maintains availability and continuity of essential services to customers in as much as possible, in conformity with restrictions, and acts to create appropriate alternatives for service provision, providing relief in service provision in conformity with guidelines issued by the Supervisor of Banks. The Bank has extended work from home for essential employees, and has elaborated the relevant operating procedures and processes.

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. Due to this declaration of a Special Homeland Situation, the Bank enhanced constant contact with Group subsidiaries and monitoring of implementation of the directives and preparations under the war scenario.

Information security and cyber defense

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 Board of Directors approved the cyber defense strategy and approved the risk management framework, including specification of the responsibilities of the various lines of defense and risk management processes from various aspects and the comprehensive cyber defense policy with reference to all required defensive components. The Bank's cyber security is managed by the Chief Information Security Officer, reporting directly 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 in particular activities of the Technology Division for implementing the policy across Bank networks, and review of the effectiveness of systems and processes for information security and cyber defense. There are also several management-level forums that conduct quarterly monitoring of risk management and mitigation, as well as control over appropriateness of resources allocated to this area, in conformity with the risk assessment and changes to the technology environment at the Bank.

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 2023, risk remained Medium. In this quarter, a small number of fraud attempts against customers 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.

Due to the security situation, the risk of attempted cyber attacks in the banking system is higher, as is the potential for materialization of this risk. In order to identify and thwart cyber events, the Bank has raised its alert, vigilance and readiness. The Bank also acts to prevent fraud and embezzlement, by bolstering its monitoring activity to identify any suspect activity in customer accounts. There is constant activity by attack groups, along with continued activity and bolstering of the Bank's control and protection system. In late October and in early November 2023, several DDoS attacks were conducted against the Bank's marketing website. Throughout this attack, the Bank app and transaction website operated normally, and this attack had no significant impact on the Bank's business activity.

The Bank continues to reinforce the defense mechanisms applied in Bank systems, in order to limit the ability to defraud customers and to conduct un-authorized transactions in customer accounts and in order to maintain and ensure availability of the Bank's network and systems. These actions are part of the debrief and lesson learning processes in place at the Bank, in line with increase in threats and the challenging requirements which the Bank must comply with.

IT risk

In the third quarter of 2023, technology risk remained Medium. This is a material risk factor for the Bank, and potential damage due to realization of such risk may be significant. 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 the current quarter, in view of the security situation, there were no material events with regard to technology, but there is concern about impact to infrastructure and reduced staffing, which has yet to materialize so far. The Bank focused on maintaining a state of readiness to provide a complete technology resolution for the Bank as a whole, including readiness for deterioration in the security situation, concurrently with development of technology solutions regarding consumer aspects required in emergency, including implementation of benefits provided to assist Bank customers at this time.

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 2023, 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.

The Bank is in the process of replacing its CRM system gradually, over several years. To date, several milestones went live that provide business value to bankers and customer service.

As part of bolstering its technology infrastructure, the Bank invests in technology systems, in order to address the evolving challenges in the business environment. The rapid pace of change in technology, changes to how services are made accessible to customers and expansion of the range of channels used by the Bank and its customers, require constant investment in technology. In this capacity, the Bank is launching a major project to replace all infrastructure of digital channels and the services based there upon, so as to offer a range of customer choices for the channel they would prefer to use to obtain the service. Investments are also made to upgrade the business capabilities and for compliance with new regulatory requirements, such as preparing for Open Banking. The Bank is also developing advanced tools for handling data and extracting information from data, in order to improve its measuring capacity and decision making, both from business marketing aspects and from risk management aspects.

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 and positions, 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 and to provide group supervision over risk management at the Bank Group.
In the first nine months of 2023, legal risk remained Low-medium. In this quarter there were no unusual events which may impact Bank exposure.

For more information about operating risk, see also the Risks Report 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.

The overall risk level of market and interest risk remained Low-Medium. Interest risk remained Medium, after increasing in the fourth quarter of 2022, from Low-Medium due to the higher interest rates, high uncertainty and potential impact for borrower and depositor behavior, in particular the trend of balance transition from current accounts to deposits and changes to mortgage performance mix towards options less sensitive to changes in interest rates. In October 2023, the Bank of Israel interest rate remained unchanged at 4.75%. Risk values remain high, and are primarily affected by changes in interest rate curves, which have seen increased volatility.

Due to the security situation, as from October 8, 2023 the Emergency Financial Forum, headed by the Manager, Finance Division, convenes often to discuss management of financial risk that may arise due to the war.

To date, the war impact on exposure to interest and currency risks is not material. However, due to continued uncertainty with regard to potential developments in changes in the macro-economic environment in Israel and world-wide, continuation of uncertainty with regard to the Russia-Ukraine war and their impact on the Bank, close monitoring of potential effects of such changes on Bank activity and risk assessment continues, even to a higher degree. 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):

	Nine months		All of
	2023	**2022**	**2022**
At end of period	1,213	583	759
Maximum value during period	(Mar.) 1,618	(Jul.) 1,018	(Jul.) 1,018
Minimum value during period	(Jan.) 875	(Apr.) 553	(Apr.) 533

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

The higher VAR is primarily due to more rapid increase in market volatility (in particular in the first two quarters of 2023).

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):

	Israeli currency		Foreign currency			
	Non-linked	Linked to CPI	USD	EUR	Other	Total
September 30, 2023 – Change in fair value						
2% increase	(1,544)	(2,673)	579	4	21	(3,613)
2% decrease	2,339	3,432	(597)	35	(23)	5,186
September 30, 2022						
2% increase	(505)	(2,209)	454	26	18	(2,216)
2% decrease	383	2,360	(455)	12	(20)	2,280
December 31, 2022						
2% increase	(878)	(2,435)	459	20	22	(2,812)
2% decrease	895	2,519	(449)	21	(25)	2,961

(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.

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, 2023			As of September 30, 2022			As of December 31, 2022		
	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total
Net adjusted fair value[1]	19,773	799	20,572	21,088	1,089	22,177	21,360	1,442	22,802
Of which: Banking portfolio	10,709	4,032	14,741	12,922	5,138	18,060	17,264	1,534	18,798

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

	As of September 30, 2023			As of September 30, 2022			As of December 31, 2022		
	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total
Concurrent changes									
Concurrent 1% increase	(1,655)	301	(1,354)	(1,008)	261	(747)	(808)	339	(469)
Of which: Banking portfolio	(1,650)	313	(1,337)	(743)	251	(492)	(787)	340	(447)
Concurrent 1% decrease	1,494	(378)	1,116	483	(357)	126	641	(489)	152
Of which: Banking portfolio	1,486	(392)	1,094	175	(346)	(171)	617	(491)	126
Non-concurrent changes									
Steeper[3]	(1,064)	92	(972)	(897)	140	(757)	(1,034)	133	(901)
Shallower[4]	865	23	888	933	(11)	922	1,072	25	1,097
Short-term interest increase	(348)	253	(95)	413	247	660	(4)	333	329
Short-term interest decrease	612	(259)	353	(214)	(257)	(471)	336	(340)	(4)

(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 exposure of the bank portfolio 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 567 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.

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, 2023			As of September 30, 2022			As of December 31, 2022		
	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	130	(30)	100	753	110	863	472	26	498
Of which: Banking portfolio	126	(47)	79	752	89	841	472	28	500
Concurrent 1% decrease	(868)	(519)	(1,387)	(1,404)	(282)	(1,686)	(1,100)	(272)	(1,372)
Of which: Banking portfolio	(863)	(506)	(1,369)	(1,404)	(262)	(1,666)	(1,100)	(274)	(1,374)

(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.
- As from 2021, 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.
- Given the change in the interest rate environment, behavioral assumptions were updated with respect to current account balances in credit and the securities portfolio. The assumption is that under a scenario of rising interest rates, funds would be diverted from current account balances to interest-bearing deposits, as well as changes to bonds in the nostro portfolio.

Under the concurrent scenario of interest rate increase by 1%, without assuming any change to total bonds in the nostro portfolio, the capital reserve with respect to securities is expected to decrease by NIS 271 million.

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, 2022.

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, 2023, 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)]	2,860.5	1,430.2	(1,430.2)	(2,860.5)	324.1	(256.6)
USD	(11.2)	(8.3)	8.9	16.4	(6.7)	7.3
GBP	0.9	0.3	(0.4)	(1.0)	0.2	(0.6)
JPY	2.7	1.2	(0.7)	(1.0)	0.9	(0.6)
EUR	6.7	1.0	1.5	2.2	0.6	1.5
SFR	0.9	0.3	(0.4)	(1.0)	0.2	(0.6)

(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 858.1 million and NIS (858.1) million, respectively.

Share price risk

For more information about share price risk, see the 2022 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 2022 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 2023.

Liquidity risk remained low-medium. In October 2023, the Bank alert level increased to Orange, due to the war. In practice, no events nor indications were observed which would indicate realization of a liquidity event. As noted above, due to the security situation, as from October 8, 2023 the Emergency Financial Forum, headed by the Manager, Finance Division, convenes often to discuss management of financial risk that may arise due to the war.

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

For more information about financing risk, see also the 2022 Risks Report available on the Bank website.

Liquidity coverage ratio

Proper Banking Conduct Directive 221 "Liquidity coverage ratio" stipulates minimum liquidity ratios of 100% under stress scenario, for 30 days ("Regulatory LCR") of high-quality liquid assets to liquidity needs over this time period. As part of its risks management policy, the Bank's Board of Directors specified that additional safety cushions are to be maintained, beyond the regulatory minimum ratio; so that the target liquidity coverage ratio for the Bank and the Group would 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 (on consolidated basis) for the third quarter of 2023 was 138%. 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.

Net stable funding ratio (on consolidated basis) as of September 30, 2023 was 113%. No deviations from the risk appetite limitations were recorded.

As of September 30, 2023, the balance of the three largest depositor groups at the Bank Group amounted to NIS 23.0 billion.

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

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

Other risks

Compliance and regulatory risk

Risk description and development thereof

Bank business operations are subject to regulation. 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 various compliance provisions.

Compliance provisions also include the following laws: ISA Enforcement Proceeding Streamlining Law (Legislative Amendments), 2011; Securities Law 1968; Mutual Investment Law, 1994; Arrangement of Engagement in Investment Consultancy, Investment Marketing and Management of Portfolios Law, 1995 (hereinafter: "the Advisory Law"); hereinafter jointly – "securities laws" as well as the Economic Competition Law, 1988. Compliance with these laws is also handled by internal enforcement programs of securities laws and economic competition laws, respectively. Compliance risk also includes Bank compliance with fairness aspects and with privacy protection laws. Note that the Bank has practically zero risk appetite for compliance and regulatory risk, with regard to compliance with statutory provisions applicable to the Bank. Therefore, the Bank has determined that any deficiencies found in compliance with statutory provisions should be addressed by Bank units as a top priority. The Bank has specified a multi-annual work plan, which includes required action for reducing compliance risk. Compliance and regulatory risk remained Low-Medium in the current quarter. The Bank applies the current and new regulatory provisions. In view of effects of the war, the Bank increased its management and IT focus on fairness to customers, in particular for accounts of customers involved in the war or affected by implications thereof. The Bank acts to provide resolution so as to enable service provision to everyone even in this period, in conformity with Proper Conduct of Banking Business Interim Directive 251 with regard to adjustment of Bank of Israel directives during war time, letters from the Supervisor of Banks and the AML Authority. Concurrently, emphasis is placed on implementation of fair work processes with customers, with due consideration of the complexity and required sensitivity during this period.

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.

For more information about compliance risk and regulation, see also the 2022 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 Act – "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. Therefore, the Bank has specified that any faults discovered with regard to cross-border risk would be addressed by Bank units as a top priority.

Cross-border risk remained unchanged in the third quarter of 2023 and is defined as low-medium. The Bank continues to maintain processes designed to improve the quality of risk management *inter alia*, by automating work processes and maintaining professional knowledge. In this quarter, the Bank delivered the required reporting to the tax authority under FATCA and CRS, and continued preparing for QI reporting. The Bank also monitors regulatory updates from relevant countries and considers the need to implement regulations relevant for Bank operations.

As noted, the Bank applies the statutory provisions for implementation of FATCA and CRS, and provides timely reports to the Israeli Tax Authority/ The Bank is compliant with terms and conditions of the QI agreement with the IRS.

Countries and international entities, including OFAC (of the US Department of Treasury) and the European Union have imposed international sanctions on countries, organizations and individuals. These sanctions grew in scope due to the ongoing Russia-Ukraine war. As part of management of its international financial operations and maintaining proper business relations with correspondent banks, the Bank is compliant with these sanctions, even though they do not apply directly to the Bank. As part of management of cross-border risk, the Bank especially monitors and reviews any monetary transactions where any party to such transaction is located in a country / entity subject to international sanctions.

For more information about cross-border risk, see also the 2022 Risks Report available on the Bank website.

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. Therefore, the Bank has specified that any faults discovered with regard to AML risk would be addressed by Bank units as a top priority.

AML risk remained unchanged in the third quarter of 2023 and is defined as low-medium. The risk assessment is due, *inter alia*, to further intensive training and deployment activity along with risk-focused controls, improvement of documents and classifications, and taking effective action to avoid recurrence of unusual events and compliance failures, in view of increased business activity and further increased regulatory activity reflected, inter alia, in frequent issue of new directives, for which the Bank prepares accordingly.

On October 11, 2023, the AML Authority addressed a letter to the financial sector and to the public, asking them to increase alertness to AML attempts in view of the war and the state of emergency. The Bank operates in conformity with directives and guidelines: to effectively and immediately identify, control, monitor, discover and report to the AML Authority any activities perceived to carry potential AML and terror financing risk.

Although this risk has increased due to the war, the Compliance Department took action, including issuing updates to business units about the need for caution in these days, bolstering controls over transactions and customers at risk and delivery of custom training. Therefore, this overall risk currently remains un-changed.

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. Therefore, the Bank has specified that any faults discovered with regard to terror financing risk would be addressed by Bank units as a top priority.

Terror financing risk remained unchanged in the third quarter of 2023 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.

Terror financing risk is increased due to the war. Consequently the Bank increased monitoring and handling of this matter, while bolstering controls over transactions and customers at risk. Therefore, this overall risk currently remains un-changed.

Reputational risk

Risk description and development thereof

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 third quarter of 2023, reputational risk remained Low. The Bank closely monitors various benchmarks and indicators with regard to the Bank's reputation.

Special attention is paid to customer-facing service at this time, including response and assistance to customer inquiries in view of the war, with emphasis on urgent / humanitarian inquiries. To date there was no material impact on the Bank's reputational risk.

Strategic business risk

Risk description and development thereof

Strategic business risk – the risk, in real time or in future, to Bank profits, capital, reputation or status, which may arise from erroneous business decisions, improper deployment of decisions by the Bank or inappropriate alignment of the Bank to changes in the business environment in which it operates.

The Bank is preparing for these changes by, inter alia, adapting the banking production functions through, inter alia, increased investment in technology, so as to maintain the Bank's position as an advanced, human bank. This is material risk requiring risk management measures to be applied, assessment and early identification of events which may preclude implementation of the strategy.

On April 26, 2021, the Bank’s Board of Directors approved a five-year strategic plan for 2021-2025 based, inter alia, on positioning the Bank as a key player in business banking, continued leadership position in the mortgage market, establishing the Bank Group's leadership position among households, providing personal, human banking services supported by advanced digital technology, including optimal combination of human and digital channels, with human service by expert bankers, including in digital, in accordance with customer choice and needs, as well as offering personalized value propositions across all channels, which are customized for customer needs, adapting the operating model to future challenges and further improvement in operating efficiency and leveraging the Union Bank merger to generate operating and business synergies and to realize economies of scale. For more information see Immediate Report dated April 27, 2021 (reference: 2021-01-071448). Bank results indicate that the Bank has surpassed the business objectives set in the strategic plan.

Strategic business risk incorporates all of the Bank's business operations, also reflecting the risk in the Bank's business environment, including development of material external factors and events which may affect the Bank's strategic business risk and implementation of its strategic plan.

At this stage, the potential implications of the war have yet to modify the principles underlying the Bank's business model, and therefore the risk level remains un-changed. However, there is significant uncertainty regarding the duration, scope and impact of the war, and this may have significant implications for the Israeli economy and, consequently, for the entire banking system.

For more information about strategic-business risk, see also the 2022 Risks Report available on the Bank website.

Regulatory-business risk

Risk description and development thereof

Regulatory business risk is presented, as from the second quarter of 2023, separately from strategic business risk.

This risk, currently assessed to be Medium-High, refers to legislation, including legislation in process, in core banking areas, as well as new regulation and regulatory expectations of regulatory entities, whether in process or completed, which may potentially impact core banking operations. In the third quarter of 2023, regulatory business risk remained un-changed, after being increased in the previous quarter, thus it also reflects potential business implications for banking operations due to the war.

For more information about environmental risk, see chapter "Risks Overview" of the 2022 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 2022 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.

Provision for credit losses

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

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

Expenses with respect to credit losses in the third quarter of 2023 amounted to NIS 694 million, compared to NIS 155 million in the corresponding period last year, and in the first nine months of 2023 amounted to NIS 1,168 million, compared to NIS 341 million in the corresponding period last year. The increase in provisions in the third quarter of 2023 is mostly due to adjustments made by the Bank to components of group-based provision for credit losses calculated on qualitative basis, recognized so as to reflect the increase in credit risk in the market due to the war started on October 7, 2023 with respect to customers resident in the conflict regions which may face difficulties, and to macro-economic and other developments which may affect everyone in Israel. This also reflects the risk potential due to customers who were granted deferment of their loan payments for a specified period, though no material indicators of increase in this risk have been seen to date. Upon conclusion of the war, these components of the group-based provision are expected to decrease, other than amounts to be recognized, as required, with respect to specific customers who may be in difficulty due to the war.

In order to establish the provision with respect to impact of the war, the Bank conducted independent sensitivity analysis of potential effects of deterioration in macro-economic parameters on default rates. The group-based provision recognized by the Bank with respect to uncertainty due to the war, is similar to total loss under the stress scenario of short-term decline by 7%-8% in GDP, a further 1% increase in Bank of Israel interest rate, an increase by 1%-2% in mortgage interest rate, and a rise in unemployment to 8%-9%. Under a stricter stress scenario reviewed by the Bank, loss was NIS 100 million higher than the provision recognized on the financial statements.

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

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

Controls and Procedures

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

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

Evaluation of controls and procedures with regard to disclosure

Bank management, together with the Bank President & CEO and the Chief Accountant of the Bank, evaluated the effectiveness of the Bank's disclosure controls and procedures as of September 30, 2023. 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, 2023, 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 2023, 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 27, 2023

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, 2023 (hereinafter: "the Report").
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact nor omit to state any material fact necessary so that the statements included therein, in light of the circumstances under which such statements were made, would not be misleading with respect to the period covered by the Report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the Report fairly present, in all material respects, the financial condition, results of operations, and changes in shareholders' equity and cash flows of the Bank as of the dates and for the periods presented in this Report.
4. I and others at the Bank who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure[(1)] and to the Bank's internal controls over financial reporting[(1)] as well as:
   A. We have determined such controls and procedures, or caused these controls and procedures to be determined under our supervision, for the purpose of ensuring that material information relating to the Bank, including its subsidiaries, is made known to us by others in the Bank and in those entities, particularly during the period in which the Report is being prepared;
   B. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks;
   C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and
   D. We have disclosed in this Report any change in the Bank's internal controls over financial reporting that occurred during this quarter, that has materially affected, or is reasonably likely to materially affect, the Bank's internal controls over financial reporting; and
5. I and others in the Bank who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Bank's independent auditors, the Board of Directors and the Audit and Balance Sheet Committees of the Board of Directors of the Bank:
   A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting which are reasonably likely to impair the Bank's ability to record, process, summarize and report financial information; and
   B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal controls over financial reporting.

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

Moshe Lari
President & CEO

November 27, 2023

(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, 2023 (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 27, 2023

(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, 2023, 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 4.48% of total consolidated assets as of September 30, 2023, and whose net interest revenues before expenses with respect to credit losses included in the consolidated statements of profit and loss constitute 5.48% and 5.36% 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 27, 2023

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Bank Mizrahi Tefahot

Condensed Financial Statements as of September 30, 2023

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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
		2023	**2022**	**2023**	**2022**	**2022**
	Note		**(Unaudited)**	**(Unaudited)**		**(Audited)**
Interest revenues	2	6,224	4,213	18,323	11,318	16,195
Interest expenses	2	3,265	1,522	9,037	4,030	5,955
Interest revenues, net		2,959	2,691	9,286	7,288	10,240
Expenses (income) with respect to credit losses	6,13	694	155	1,168	341	532
Interest revenues, net after expenses with respect to credit losses		**2,265**	**2,536**	**8,118**	**6,947**	**9,708**
Non-interest revenues						
Non-interest financing revenues	3	341	263	678	556	754
Commissions		506	519	1,535	1,547	2,052
Other revenues		62	60	190	558	622
Total non-interest revenues		**909**	**842**	**2,403**	**2,661**	**3,428**
Operating and other expenses						
Payroll and associated expenses		902	1,002	2,842	2,835	4,029
Maintenance and depreciation of buildings and equipment		274	240	852	731	1,012
Other expenses		239	287	679	793	1,132
Total operating and other expenses		**1,415**	**1,529**	**4,373**	**4,359**	**6,173**
Pre-tax profit		1,759	1,849	6,148	5,249	6,963
Provision for taxes on profit		624	635	2,150	1,776	2,356
After-tax profit		**1,135**	**1,214**	**3,998**	**3,473**	**4,607**
Share in profit (loss) of associated companies, after tax		–	2	1	4	5
Net profit:						
Before attribution to non-controlling interests		1,135	1,216	3,999	3,477	4,612
Attributable to non-controlling interests		(37)	(38)	(136)	(92)	(140)
Attributable to shareholders of the Bank		**1,098**	**1,178**	**3,863**	**3,385**	**4,472**

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

Moshe Vidman
Chairman of the Board of Directors

Moshe Lari
President & CEO

Menahem Aviv
Vice-President
Chief Accountant

Approval date:
Ramat Gan, November 27, 2023

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
	2023	**2022**	**2023**	**2022**	**2022**
		(Unaudited)		**(Unaudited)**	**(Audited)**
Earnings per share[1] (in NIS)					
Basic earnings					
Net profit attributable to shareholders of the Bank	4.27	4.59	15.01	13.26	17.47
Weighted average number of ordinary shares used to calculate basic earnings (thousands of shares)	257,392	256,828	257,306	255,211	255,953
Diluted earnings					
Net profit attributable to shareholders of the Bank	4.24	4.56	14.95	13.19	17.38
Weighted average number of ordinary shares used to calculate diluted earnings (thousands of shares)	258,751	258,300	258,327	256,613	257,319

(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 2023	2022	For the nine months ended September 30 2023	2022	For the year ended December 31 2022
			(Unaudited)		(Unaudited)	(Audited)
Net profit:						
Before attribution to non-controlling interests		1,135	1,216	3,999	3,477	4,612
Attributable to non-controlling interests		(37)	(38)	(136)	(92)	(140)
Net profit attributable to shareholders of the Bank		**1,098**	**1,178**	**3,863**	**3,385**	**4,472**
Other comprehensive income (loss) before taxes	4					
Adjustments for presentation of available-for-sale bonds at fair value, net		(41)	(177)	(1)	(872)	(809)
Adjustments from translation of financial statements of investments in associated companies(1)		–	–	–	–	–
Net gains (losses) with respect to cash flows hedging		–	8	4	14	18
Adjustments of liabilities with respect to employees' benefits(2)		62	124	(16)	522	517
Total other comprehensive income (loss), before tax		**21**	**(45)**	**(13)**	**(336)**	**(274)**
Related tax effect		(7)	(11)	7	96	70
Other comprehensive income (loss) after taxes(3)						
Other comprehensive income (loss), before attribution to non-controlling interests		14	(56)	(6)	(240)	(204)
Less other comprehensive income (loss) attributed to non-controlling interests		–	2	(11)	9	7
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes		**14**	**(58)**	**5**	**(249)**	**(211)**
Comprehensive income:						
Before attribution to non-controlling interests		1,149	1,160	3,993	3,237	4,408
Attributable to non-controlling interests		(37)	(40)	(125)	(101)	(147)
Comprehensive income attributable to shareholders of the Bank		**1,112**	**1,120**	**3,868**	**3,136**	**4,261**

(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 2023	As of September 30 2022 (Unaudited)	As of December 31 2022 (Audited)
Assets				
Cash and deposits with banks		81,645	95,596	93,673
Securities[1][2]	5	19,007	14,379	15,144
Securities borrowed or purchased in resale agreements		24	914	315
Loans to the public	6,13	327,471	306,908	310,356
Provision for credit losses	6,13	(3,881)	(2,804)	(2,884)
Loans to the public, net	6,13	323,590	304,104	307,472
Loans to Governments		667	339	318
Investments in associated companies		241	106	127
Buildings and equipment		1,447	1,410	1,503
Intangible assets and goodwill		155	185	178
Assets with respect to derivatives	11	7,319	8,695	5,789
Other assets		4,194	4,039	3,773
Total assets		**438,289**	**429,767**	**428,292**
Liabilities and Equity				
Deposits from the public	7	351,034	345,339	344,514
Deposits from banks		5,008	7,725	6,994
Deposits from the Government		24	48	47
Bonds and subordinated notes		36,655	31,352	33,287
Liabilities with respect to derivatives	11	6,095	7,549	5,214
Other liabilities [3]		11,801	13,708	13,368
Total liabilities		**410,617**	**405,721**	**403,424**
Shareholders' equity attributable to shareholders of the Bank		26,459	22,989	23,780
Non-controlling interests		1,213	1,057	1,088
Total equity		**27,672**	**24,046**	**24,868**
Total liabilities and equity		**438,289**	**429,767**	**428,292**

(1) Of which: NIS 15,233 million at fair value on consolidated basis (on September 30, 2022: NIS 10,427 million; on December 31, 2022: NIS 11,241 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 198 million (on September 30, 2022: NIS 186 million, on December 31, 2022: NIS 220 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)[(2)]	Retained earnings[(3)]	Total shareholders' equity	Non-controlling interests	Total equity
	For the three months ended September 30, 2023 (unaudited)							
Balance as of June 30, 2023	3,526	106	3,632	(523)	22,705	25,814	1,176	26,990
Net profit for the period	–	–	–	–	1,098	1,098	37	1,135
Dividends paid[(4)]	–	–	–	–	(489)	(489)	–	(489)
Benefit from share-based payment transactions	–	22	22	–	–	22	–	22
Realization of share-based payment transactions[(5)]	16	(16)	–	–	–	–	–	–
Other comprehensive income (loss), net, after tax	–	–	–	14	–	14	–	14
Balance as of September 30, 2023	**3,542**	**112**	**3,654**	**(509)**	**23,314**	**26,459**	**1,213**	**27,672**
	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[(4)]	–	–	–	–	(316)	(316)	–	(316)
Benefit from share-based payment transactions	–	19	19	–	–	19	–	19
Realization of share-based payment transactions[(5)]	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**

(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 2022 financial statements.
(4) On August 29, 2023, a dividend distribution amounting to NIS 489 million was made in conformity with resolution by the Bank's Board of Directors.
(5) In the third quarter of 2023, 373,765 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 2022, 539,821 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.

- On November 27, 2023, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 164.7 million, or 15% of earnings in the third quarter of 2023, given the state of uncertainty in the economy regarding, inter alia, the continued war and the extent of its effects, and so as to enable further assistance to Bank customers, including by way of extending credit to customers with repayment capacity, and further to the Supervisor of Banks' letter on this matter dated November 12, 2023. In accordance with accounting rules, this amount would be deducted from retained earnings in the fourth quarter of 2023.

Condensed Statements of Changes in Shareholders' Equity

Reported amounts (NIS in millions)

	Share capital and premium[(1)]	Capital reserve from benefit from share-based payment transactions	Total paid-up share capital and capital reserves	Cumulative other comprehensive income (loss)[(2)]	Retained earnings[(3)]	Total shareholders' equity	Non-controlling interests	Total equity
	For the nine months ended September 30, 2023 (unaudited)							
Balance as of December 31, 2022	3,519	99	3,618	(514)	20,676	23,780	1,088	24,868
Net profit for the period	–	–	–	–	3,863	3,863	136	3,999
Dividends paid[(4)]	–	–	–	–	(1,225)	(1,225)	–	(1,225)
Benefit from share-based payment transactions	–	36	36	–	–	36	–	36
Realization of share-based payment transactions[(6)]	23	(23)	–	–	–	–	–	–
Other comprehensive income (loss), net, after tax	–	–	–	5	–	5	(11)	(6)
Balance as of September 30, 2023	**3,542**	**112**	**3,654**	**(509)**	**23,314**	**26,459**	**1,213**	**27,672**
	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[(5)]	–	–	–	–	(355)	(355)	(3)	(358)
Adjusted balance as of January 1, 2022 after initial application	3497	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[(4)]	–	–	–	–	(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 year ended December 31, 2022 (audited)							
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[(5)]	–	–	–	–	(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	–	–	–	–	4,472	4,472	140	4,612
Dividends paid[(4)]	–	–	–	–	(941)	(941)	–	(941)
Benefit from share-based payment transactions	–	45	45	–	–	45	–	45
Realization of share-based payment transactions[(6)]	22	(22)	–	–	–	–	–	–
Dividends attributable to non-controlling interests in subsidiary	–	–	–	–	–	–	(15)	(15)
Other comprehensive income (loss), net, after tax	–	–	–	(211)	–	(211)	7	(204)
Balance as of December 31, 2022	**3,519**	**99**	**3,618**	**(514)**	**20,676**	**23,780**	**1,088**	**24,868**

(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 2022 financial statements.
(4) On March 28, 2023, June 1, 2023 and August 29, 2023, the Bank paid dividends amounting to NIS 326 million, NIS 410 million and NIS 489 million, respectively, in conformity with a decision by the Bank's Board of Directors. On March 15, 2022, August 30, 2022 and December 13, 2022, the Bank paid dividends amounting to NIS 272, 316 and 353 million, respectively, in conformity with a decision by the Bank's Board of Directors.
(5) 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.C.1. to the 2022 financial statements.
(6) In the first nine months of 2023, 580,864 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 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 2022, the Bank issued 676,867 ordinary shares of NIS 0.1 par value each for exercise of options pursuant to the Employees' Stock Option Plan, and issued to the President 7,450 ordinary shares of NIS 0.1 par value each.
\- On November 27, 2023, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 164.7 million, or 15% of earnings in the third quarter of 2023, given the state of uncertainty in the economy regarding, inter alia, the continued war and the extent of its effects, and so as to enable further assistance to Bank customers, including by way of extending credit to customers with repayment capacity, and further to the Supervisor of Banks' letter on this matter dated November 12, 2023. In accordance with accounting rules, this amount would be deducted from retained earnings in the fourth quarter of 2023.

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
	2023	[(1)]2022	2023	[(1)]2022	2022
		(Unaudited)		(Unaudited)	(Audited)
Cash Flows from Current Activity					
Net profit before attribution to non-controlling interests	1,135	1,216	3,999	3,477	4,612
Adjustments					
Share of the Bank in undistributed earnings of associated companies	–	(2)	(1)	(4)	(5)
Depreciation of buildings and equipment (including impairment)	97	95	341	268	332
Expenses with respect to credit losses	694	155	1,168	341	532
Gain from sale of securities available for sale and shares not held for trading	45	(17)	85	(9)	14
Realized and unrealized loss (gain) from adjustment to fair value of securities held for trading	(31)	(47)	(34)	(78)	(103)
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	(6)	12	(23)	35	45
Gain from sale of buildings and equipment	–	–	–	(240)	(241)
Impairment of securities held for sale and shares not held for trading	1	29	6	45	50
Expenses arising from share-based payment transactions	22	19	36	26	45
Deferred taxes, net	(53)	1	(240)	(465)	(408)
Change in employees' provisions and liabilities	66	(411)	(95)	(25)	138
Adjustments with respect to exchange rate differentials	(194)	(39)	(552)	(458)	(463)
Gain from sale of loan portfolios	–	–	–	–	(8)
Accrual differences included with investment and financing operations	(263)	(30)	1,732	380	198
Net change in current assets					
Assets with respect to derivatives	(1,488)	(1,608)	(1,526)	(5,029)	(2,119)
Securities held for trading	244	489	(239)	278	(147)
Other assets, net	(103)	(395)	(108)	(382)	(15)
Net change in current liabilities					
Liabilities with respect to derivatives	1,262	1,285	881	3,796	1,461
Other liabilities	(805)	(223)	(1,532)	509	(19)
Net cash provided by current operations	**623**	**529**	**3,898**	**2,465**	**3,899**

(1) Reclassified.

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
	2023	(1)2022	2023	(1)2022	2022
		(Unaudited)		(Unaudited)	(Audited)
Cash flows from investment activities					
Net change in deposits with banks	1,472	(663)	1,514	(1,116)	(202)
Net change in loans to the public	(6,729)	(7,046)	(14,447)	(32,922)	(36,246)
Net change in loans to Governments	(142)	125	(349)	138	159
Net change in securities loaned or acquired in resale agreements	(20)	1,210	291	418	1,017
Acquisition of bonds held to maturity	(160)	(229)	(531)	(1,186)	(1,821)
Proceeds from redemption of bonds held to maturity	4	8	656	135	851
Purchase of securities available for sale and shares not held for trading	(2,319)	(924)	(9,499)	(11,177)	(15,233)
Proceeds from sale of securities available for sale and shares not held for trading	2,669	8,335	5,814	12,475	17,132
Proceeds from redemption of securities available for sale	107	112	729	293	222
Proceeds from sale of loan portfolios	–	1,940	25	1,943	1,943
Purchase of loan portfolios – public	(550)	(386)	(2,083)	(1,425)	(2,306)
Acquisition of buildings and equipment	(106)	(84)	(284)	(205)	(391)
Proceeds from sale of buildings and equipment	–	(1)	–	501	532
Purchase of shares in associated companies	–	(1)	(20)	(40)	(61)
Proceeds from realized investment in associated companies	–	6	–	7	8
Net cash provided by investment activities	**(5,774)**	**2,402**	**(18,184)**	**(32,161)**	**(34,396)**
Cash flows provided by financing operations					
Net change in deposits from the public	6,555	15,447	4,070	35,407	34,446
Net change in deposits from banks	(1,533)	(790)	(1,986)	733	2
Net change in deposits from Government	(5)	(9)	(23)	(33)	(34)
Issuance of bonds and subordinated notes	–	–	3,089	2,402	5,038
Redemption of bonds and subordinated notes	(200)	(3,699)	(705)	(9,470)	(10,258)
Dividends paid to shareholders	(489)	(316)	(1,225)	(588)	(941)
Dividends paid to external shareholders in subsidiaries	–	–	–	–	(15)
Net cash provided by financing operations	**4,328**	**10,633**	**3,220**	**28,451**	**28,238**
Increase (decrease) in cash	(823)	13,564	(11,066)	(1,245)	(2,259)
Cash balance at beginning of the period	82,980	80,271	92,865	94,661	94,661
Effect of changes in exchange rate on cash balances	194	39	552	458	463
Cash balance at end of the period	**82,351**	**93,874**	**82,351**	**93,874**	**92,865**
Interest and taxes paid / received					
Interest received	5,401	3,800	15,426	8,511	11,577
Interest paid	2,392	1,090	6,783	3,747	5,416
Dividends received	–	9	7	19	36
Income taxes received	–	106	21	140	140
Income taxes paid	832	370	2,654	1,312	2,211
Appendix A – Non-cash Transactions					
Acquisition of buildings and equipment	1	(1)	1	–	1
Sales of buildings and equipment	–	–	–	–	–

(1) Reclassified.

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

Note 1 – Reporting Principles and Accounting Policies

a. Overview

On November 27, 2023, the Bank's Board of Directors authorized publication of these condensed financial statements as of September 30, 2023.

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, 2022.

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 in section B. below.

b. Effects of the war

Following the outbreak of war on October 7, 2023, both banks and the Supervisor of Banks have been preparing and taking measures. These include relief provided to Bank customers, in order to help customers who face difficulties due to the situation. Such relief includes: freezing loan payments, waiving interest for frozen payments for those living in conflict regions and classified as First Circle, waiver of mortgage payments, waiver of interest on debit balance in checking accounts, discounted bank fees and bonuses for businesses. The Bank also allocated budgets to support residents in affected areas.

On October 18, 2023, the Supervisor of Banks issued a letter containing supervisory emphasis regarding handling of problematic debt and public reporting. According to this circular, counting of days in arrears would be discontinued for customers subject to payment freezing arrangements, for mortgages or for commercial loans, for up to three months at this stage. These financial statements include quantitative disclosure with regard to debt subject to such new repayment arrangements.

On November 9, 2023, the Supervisor of Banks issued another letter, containing further emphasis for public reporting for the third quarter of 2023, including the following requirements:

- Inclusion of the expected effect of uncertainty dur to the war in calculation of the provision for credit losses on the financial statements for the third quarter of 2023.
- Description to be included in reports of evolution of the provision and how such implications and uncertain conditions have been accounted for in determination of the provision, and results of sensitivity analysis for changes to assumptions.
- Description of any material effects on results, comprehensive income, financial standing, capital ratio, leverage ratio and liquidity coverage ratio.
- Description of effects on major risks.
- Description of action taken by the bank to address these developments and to support the needs of customers and employees, including estimated cost of such measures.
- Inclusion of disclosure with regard to development of credit risk by industrial sector.
- Inclusion of quantitative disclosure of the state of exposures and scenarios with regard to interest and currency risks, as of soon prior to the report issue date, including reference to the effect of assumptions.

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

As from reporting periods starting on January 1, 2023, the Bank applies the following new accounting standards and directives:

1. Update to standard 2022-01 in the codification, regarding improvements to application of fair value hedge accounting using the layer method in the portfolio.

Note 1 – Reporting Principles and Accounting Policies – continued

1. **Update to standard 2022-01 in the codification, regarding improvements to application of fair value hedge accounting using the layer method in the portfolio**
   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").

Some of the amendments included in this update are as follows:

– Expansion of the Final Layer method: The update allows for hedging of multiple layers in a single closed portfolio;
– Expansion of scope of the portfolio layer method: The update allows this method to also be applied to financial assets which may not be repaid early;
– Hedging instruments: The update clarifies that a derivative whose par value changes over time may be designated as a hedging instrument, such that this hedge would be considered a single-layer hedge, and the number of hedged layers would be consistent with the number of designated hedging relations;
– Basis adjustments: The update clarifies the treatment of basis adjustments in hedging using the portfolio layer method, and adds disclosure requirements;
– Credit losses: The update disallows accounting for basis adjustments of existing hedging relations, when determining credit losses for hedged items. The directives would be implemented as from January 1, 2023.

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

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

Amendment	Publication requirements	Start date and transition provisions	Implications
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.	January 1, 2024	The Bank is preparing to implement the directive. No material impact is expected on the financial statements.
Update to standard ASU 2022-03 regarding fair value measurement of equity securities subject to trade restriction	On June 29, 2022, the US Financial Accounting Standards Board ("FASB") issued ASU 2022-03 regarding fair value measurement of equity securities subject to trade restriction (hereinafter: "the Update"). The Update clarifies that contractual trade restriction on equity securities is an entity-specific restriction, and is not part of the accounting measurement unit of such securities, and therefore shall not be accounted for in fair value measurement. Furthermore, the Update adds disclosure requirements.	In conformity with directives of the Supervisor of Banks	No material impact is expected on the 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, 2023.	January 1, 2024	No material impact is expected on the financial statements.

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
	2023	**2022**	**2023**	**2022**	**2022**
		(Unaudited)		**(Unaudited)**	**(Audited)**
A. Interest revenues[1]					
From loans to the public	5,181	3,810	15,434	10,624	14,794
From loans to Governments	7	3	18	9	11
from cash and deposits with central banks	880	308	2,438	428	1,014
From deposits with banks	15	3	69	10	38
Of securities borrowed or purchased in resale agreements	–	4	3	5	10
From bonds	141	85	361	242	328
Total interest revenues	**6,224**	**4,213**	**18,323**	**11,318**	**16,195**
B. Interest expenses					
On deposits from the public	2,918	1,066	7,809	2,527	4,168
On deposits from governments	1	1	2	1	3
On deposits from banks	17	9	74	11	9
On bonds and subordinated notes	324	434	1,141	1,471	1,744
On other liabilities	5	12	11	20	31
Total interest expenses	**3,265**	**1,522**	**9,037**	**4,030**	**5,955**
Total interest revenues, net	**2,959**	**2,691**	**9,286**	**7,288**	**10,240**
C. Details of net effect of hedging financial derivatives on interest revenues	76	38	62	121	18
D. Details of interest revenues on accrual basis from bonds					
Held to maturity	21	13	86	37	57
Available for sale	107	53	261	183	253
Held for trading	13	19	14	22	18
Total included under interest revenues	**141**	**85**	**361**	**242**	**328**

(1) Includes the effective element in the hedging ratios.

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
	2023	2022	2023	2022	2022
		(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]	1,134	535	2,750	3,474	3,450
Total from activity in derivative instruments	**1,134**	**535**	**2,750**	**3,474**	**3,450**
2. From investment in bonds					
Gains on sale of bonds available for sale	(46)	(15)	(98)	(28)	(55)
Provision for impairment of bonds available for sale	(1)	–	(6)	–	(5)
Total from investment in bonds	**(47)**	**(15)**	**(104)**	**(28)**	**(60)**
3. Exchange rate differences, net	**(780)**	**(320)**	**(1,953)**	**(3,294)**	**(3,063)**
4. Gains from investment in shares					
Gains from sale of shares not held for trading	1	32	13	37	41
Provision for impairment of shares not held for trading	–	(29)	–	(45)	(45)
Dividends from shares not held for trading	–	9	7	19	36
Unrealized gains (losses)[3]	6	(21)	16	(54)	(81)
Total from investment in shares	**7**	**(9)**	**36**	**(43)**	**(49)**
5. Net gains with respect to loans sold	**–**	**8**	**–**	**8**	**8**
Total non-interest financing revenues with respect to non-trading purposes	**314**	**199**	**729**	**117**	**286**
B. Non-interest financing revenues (expenses) with respect to trading operations[2]					
Net revenues (expenses) with respect to other derivative instruments	(4)	17	(85)	361	365
Realized and un-realized gains from adjustment to fair value of bonds held for trading, net	31	49	33	71	98
Realized and un-realized gains (losses) from adjustment to fair value of shares held for trading, net	–	(2)	1	7	5
Total from trading activity[4]	**27**	**64**	**(51)**	**439**	**468**
Details of non-interest financing revenues (expenses) with respect to trading operations, by risk exposure					
Interest exposure	37	68	43	89	103
Foreign currency exposure	(10)	(4)	(94)	350	365
Exposure to shares	–	–	–	–	–
Exposure to commodities and others	–	–	–	–	–
Total	**27**	**64**	**(51)**	**439**	**468**

(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	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, 2023						
	(Unaudited)						
Balance as of June 30, 2023	(430)	(2)	3	(123)	(552)	(29)	(523)
Net change in the period	(26)	–	–	40	14	–	14
Balance as of September 30, 2023	**(456)**	**(2)**	**3**	**(83)**	**(538)**	**(29)**	**(509)**
	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 nine months ended September 30, 2023						
	(Unaudited)						
Balance as of December 31, 2022	(458)	(2)	–	(72)	(532)	(18)	(514)
Net change in the period	2	–	3	(11)[2]	(6)	(11)	5
Balance as of September 30, 2023	**(456)**	**(2)**	**3**	**(83)**	**(538)**	**(29)**	**(509)**
	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 year ended December 31, 2022						
	(Audited)						
Balance as of December 31, 2021	98	(2)	(12)	(412)	(328)	(25)	(303)
Net change in the period	(556)	–	12	340	(204)	7	(211)
Balance as of December 31, 2022	**(458)**	**(2)**	**–**	**(72)**	**(532)**	**(18)**	**(514)**

(1) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.
(2) Includes the effect of special collective bargaining agreement signed by the Bank and by Mizrahi Tefahot Employee Union. For further details, see Note 8.

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					
			2023			2022
	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	(88)	32	(56)	(192)	42	(150)
Losses (gains) with respect to available-for-sale securities reclassified to the statement of profit and loss[(1)]	47	(17)	30	15	(6)	9
Net change in the period	**(41)**	**15**	**(26)**	**(177)**	**36**	**(141)**
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
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**
Employees' benefits						
Net actuarial gain (loss) for the period	74	(26)	48	108	(40)	68
Net losses reclassified to the statement of profit and loss	(12)	4	(8)	16	(5)	11
Net change in the period	**62**	**(22)**	**40**	**124**	**(45)**	**79**
Total net change in the period	**21**	**(7)**	**14**	**(45)**	**(11)**	**(56)**
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	**21**	**(7)**	**14**	**(48)**	**(10)**	**(58)**

(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 "Interest revenues". For details, see Note 3.A.1.

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		
	2023			2022			2022		
	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	(105)	39	(66)	(900)	285	(615)	(864)	272	(592)
Losses (gains) with respect to available-for-sale securities reclassified to the statement of profit and loss[1]	104	(36)	68	28	(10)	18	55	(19)	36
Net change in the period	**(1)**	**3**	**2**	**(872)**	**275**	**(597)**	**(809)**	**253**	**(556)**
Translation adjustments									
Adjustments from translation of financial statements[2]	–	–	–	–	–	–	–	–	–
Net change in the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cash flows hedges									
Net losses from cash flow hedges	4	(1)	3	14	(4)	10	18	(6)	12
Net (gains) losses with respect to cash flow hedges reclassified to the statement of profit and loss[3]	–	–	–	–	–	–	–	–	–
Net change in the period	**4**	**(1)**	**3**	**14**	**(4)**	**10**	**18**	**(6)**	**12**
Employees' benefits									
Net actuarial gain (loss) for the period	(22)	7	(15)	471	(158)	313	455	(156)	299
Net losses reclassified to the statement of profit and loss	6	(2)	4	51	(17)	34	62	(21)	41
Net change in the period	**(16)**	**5**	**(11)**	**522**	**(175)**	**347**	**517**	**(177)**	**340**
Total net change in the period	**(13)**	**7**	**(6)**	**(336)**	**96**	**(240)**	**(274)**	**70**	**(204)**
Total net change in the period attributable to non-controlling interests	**(17)**	**6**	**(11)**	**14**	**(5)**	**9**	**11**	**(4)**	**7**
Total net change in the period attributable to shareholders of the Bank	**4**	**1**	**5**	**(350)**	**101**	**(249)**	**(285)**	**74**	**(211)**

(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 "Interest revenues". For details, see Note 3.A.1.

Note 5 – Securities

September 30, 2023 (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	2,891	2,891	–	–	(156)	2,735
Of financial institutions in Israel	395	395	–	–	(21)	374
Of others in Israel	136	136	–	–	(4)	132
Total bonds held to maturity	**3,422**	**3,422**	**–**	**–**	**(181)**	**3,241**

	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	7,094	7,637	–	27	(570)	7,094
of foreign governments[3]	288	293	–	–	(5)	288
Of financial institutions in Israel	436	478	–	6	(48)	436
Of foreign financial institutions	267	277	–	2	(12)	267
Asset-backed (ABS)	59	62	–	–	(3)	59
Of others in Israel	948	1,005	(8)	10	(59)	948
Of others overseas	199	208	–	2	(11)	199
Total bonds available for sale	**9,291**	**9,960**	**(8)**	**47**	**(708)**	**9,291**

	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	**607**	**546**	**–**	**83**	**(22)**	**607**
Of which: Shares for which no fair value is available[6]	352	338	–	14	–	352
Total securities not held for trading	**13,320**	**13,928**	**(8)**	**130**	**(911)**	**13,139**

See footnotes below.

Note 5 – Securities – continued

September 30, 2023 (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	5,241	5,409	–	–	(168)	5,241
Of foreign governments	369	375	–	–	(6)	369
Of financial institutions in Israel	3	3	–	–	–	3
Of others in Israel	23	23	–	1	(1)	23
Of others overseas	35	36	–	–	(1)	35
Total bonds held for trading	**5,671**	**5,846**	**–**	**1**	**(176)**	**5,671**
Shares and other securities	16	14	–	4	(2)	16
Total securities held for trading	**5,687**	**5,860**	**–**	**5**	**(178)**	**5,687**
Total securities[2]	**19,007**	**19,788**	**(8)**	**135**	**(1,089)**	**18,826**
(5) Additional information about bonds						
Recorded debt balance of						
Problematic bonds accruing interest revenues						8
Problematic bonds not accruing interest revenues						21
						29

(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 421 million and securities provided as collateral to lenders, amounting to NIS 52 million.
(3) US government bonds.
(4) Included in shareholders' equity in "adjustments on presentation of bonds available for sale at fair value".
(5) Charged to statement of profit and loss but not yet realized.
(6) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

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

Note 5 – Securities – continued

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: Gains	Losses	Fair value[1]
(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]: Gains**	**Losses**	**Fair value[1]**
(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]: Gains**	**Losses**	**Fair value[1]**
(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**

See footnotes below.

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] Gains	Losses	Fair value[1]
(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**	**2,388**	**–**	**7**	**(17)**	**2,378**
Total securities[2]	**14,379**	**15,042**	**–**	**145**	**(938)**	**14,249**

(5) Additional information about bonds

Recorded debt balance of	
Problematic 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

As of December 31, 2022 (audited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized		Fair value[1]
				Gains	Losses	
(1) Bonds held to maturity						
of Government of Israel	3,034	3,034	–	–	(129)	2,905
Of financial institutions in Israel	390	390	–	–	(19)	371
Of others in Israel	90	90	–	–	(4)	86
Total bonds held to maturity	**3,514**	**3,514**	**–**	**–**	**(152)**	**3,362**
	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	4,949	5,470	–	41	(562)	4,949
of foreign governments[3]	1,330	1,367	–	–	(37)	1,330
Of financial institutions in Israel	383	422	–	3	(42)	383
Of foreign financial institutions	262	275	–	–	(13)	262
Asset-backed (ABS)	55	57	–	–	(2)	55
Of others in Israel	838	880	–	17	(59)	838
Of others overseas	217	223	–	5	(11)	217
Total bonds available for sale	**8,034**	**8,694**	**–**	**66**	**(726)**	**8,034**
	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	**632**	**584**	**–**	**62**	**(14)**	**632**
Of which: Shares for which no fair value is available[6]	389	380	–	9	–	389
Total securities not held for trading	**12,180**	**12,792**	**–**	**128**	**(892)**	**12,028**

See footnotes below.

Note 5 – Securities – continued

As of December 31, 2022 (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] Gains	Losses	Fair value[1]
(4) Bonds held for trading						
of Government of Israel	2,749	2,804	–	–	(55)	2,749
Of foreign governments	127	127		1	(1)	127
Of financial institutions in Israel	1	1	–	–	–	1
Of others in Israel	25	25	–	1	(1)	25
Of others overseas	42	43	–	–	(1)	42
Total bonds held for trading	**2,944**	**3,000**	**–**	**2**	**(58)**	**2,944**
Shares and other securities	20	18	–	3	(1)	20
Total securities held for trading	**2,964**	**3,018**	**–**	**5**	**(59)**	**2,964**
Total securities[2]	**15,144**	**15,810**	**–**	**133**	**(951)**	**14,992**

(5) Additional information about bonds	
Recorded debt balance of	
Problematic bonds not accruing interest revenues	35
	35

(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 455 million and securities provided as collateral to lenders, amounting to NIS 203 million.
(3) US government bonds.
(4) Included in shareholders' equity in "adjustments on presentation of bonds available for sale at fair value".
(5) Charged to statement of profit and loss but not yet realized.
(6) Generally shown at cost (net of impairment), adjusted for changes in observed prices in ordinary transactions for similar or identical investments of the same issuer.

Remarks:
– For information about investments in bonds, see Notes 2D, 3A.2 and 3B. For information about investments in shares, see Note 3A.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%	Unrealized losses 20%-40%	Total	Fair value[1]	Unrealized losses 0%-20%	Unrealized losses 20%-40%	Unrealized losses Over 40%	Total
	As of September 30, 2023 (unaudited)								
Bonds available for sale									
of Government of Israel	4,340	30	–	30	2,581	348	165	27	540
of foreign governments[2]	175	–	–	–	52	5	–	–	5
Of financial institutions in Israel	86	8	–	8	340	40	–	–	40
Of foreign financial institutions	19	2	–	2	100	8	2	–	10
Asset-backed (ABS)	–	–	–	–	58	3	–	–	3
Of others in Israel	247	17	–	17	544	41	1	–	42
Of others overseas	–	–	–	–	160	5	6	–	11
Total bonds available for sale	**4,867**	**57**	**–**	**57**	**3,835**	**450**	**174**	**27**	**651**
	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 December 31, 2022 (audited)								
Bonds available for sale									
of Government of Israel	1,271	79	28	107	2,891	331	100	24	455
of foreign governments[2]	1,207	32	–	32	47	5	–	–	5
Of financial institutions in Israel	183	19	–	19	191	23	–	–	23
Of foreign financial institutions	208	6	–	6	38	6	1	–	7
Asset-backed (ABS)	55	2	–	2	–	–	–	–	–
Of others in Israel	606	47	–	47	60	9	3	–	12
Of others overseas	106	1	4	5	40	2	4	–	6
Total bonds available for sale	**3,636**	**186**	**32**	**218**	**3,267**	**376**	**108**	**24**	**508**

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

(2) US government bonds.

Note 5 – Securities – continued

Reported amounts (NIS in millions):

(7) Asset-backed and mortgage-backed securities

	Carrying amount	Amortized cost	Cumulative other comprehensive income		Fair value
			Gains	Losses	
	As of September 30, 2023 (unaudited)				
Asset-backed bonds (ABS)	59	62	–	(3)	59
Total asset-backed bonds available for sale	**59**	**62**	**–**	**(3)**	**59**
	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 December 31, 2022 (audited)				
Asset-backed bonds (ABS)	55	57	–	(2)	55
Total asset-backed bonds available for sale	**55**	**57**	**–**	**(2)**	**55**

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, 2023 (unaudited)					
	Loans to the public					
	Commercial	Housing	Individual - other	Total	Banks, governments and bonds	Total
Recorded debt balance:						
reviewed on individual basis	81,917	–	69	81,986	31,807	113,793
reviewed on group basis	13,375	204,966	27,144	245,485	–	245,485
Total debts	**95,292**	**204,966[2]**	**27,213**	**327,471**	**31,807**	**359,278**
Of which:						
Non-accruing debts	1,179	1,841	71	3,091	1	3,092
Debts in arrears 90 days or longer	84	–	57	141	–	141
Other problematic debts	2,101	–	130	2,231	–	2,231
Total problematic debts	**3,364**	**1,841**	**258**	**5,463**	**1**	**5,464**
Balance of provision for credit losses with respect to debts:						
reviewed on individual basis	1,593	–	6	1,599	9	1,608
reviewed on group basis	491	1,132	659	2,282	–	2,282
Total provision for credit losses	**2,084**	**1,132**	**665**	**3,881**	**9**	**3,890**
Of which: With respect to non-accruing debts	**278**	**92**	**53**	**423**	**1**	**424**
Of which: With respect to other problematic debts	**459**	**–**	**69**	**528**	**–**	**528**

	September 30, 2022 (unaudited)					
Recorded debt balance:						
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**	**193,770[2]**	**26,030**	**306,908**	**23,136**	**330,044**
Of which:						
Non-accruing debts	1,270	1,302	73	2,645	1	2,646
Debts in arrears 90 days or longer	68	–	35	103	–	103
Other problematic debts	812	–	113	925	–	925
Total problematic debts	**2,150**	**1,302**	**221**	**3,673**	**1**	**3,674**
Balance of provision for credit losses with respect to debts:						
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**	**65**	**45**	**406**	**1**	**407**
Of which: With respect to other problematic debts	**154**	**6**	**44**	**204**	**–**	**204**

(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 13,208 million (as of September 30, 2022 – NIS 12,451 million).

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

Reported amounts (NIS in millions):

A. Debts[1], bonds held to maturity and available for sale, loans to the public and balance of provision for credit losses – continued

	As of December 31, 2022 (audited)					
	Loans to the public					
	Commercial	Housing	Individual - other	Total	Banks, governments and bonds	Total
Recorded debt balance:						
reviewed on individual basis	73,817	–	407	74,224	30,560	104,784
reviewed on group basis	13,160	196,840	26,132	236,132	–	236,132
Total debts	**86,977**	**[2]196,840**	**26,539**	**310,356**	**30,560**	**340,916**
Of which:						
Non-accruing debts	1,193	1,329	55	2,577	1	2,578
Debts in arrears 90 days or longer	69	–	44	113	–	113
Other problematic debts	1,136	–	123	1,259	–	1,259
Total problematic debts	**2,398**	**1,329**	**222**	**3,949**	**1**	**3,950**
Balance of provision for credit losses with respect to debts:						
reviewed on individual basis	1,106	–	12	1,118	1	1,119
reviewed on group basis	385	897	484	1,766	–	1,766
Total provision for credit losses	**1,491**	**897**	**496**	**2,884**	**1**	**2,885**
Of which: With respect to non-accruing debts	**199**	**67**	**42**	**308**	**1**	**309**
Of which: With respect to other problematic debts	**257**	**–**	**60**	**317**	**–**	**317**

(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 12,566 million.

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, 2023 (unaudited)					
	Provision for credit losses					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds	Total
Balance of provision for credit losses at start of period	1,872	965	590	3,427	1	3,428
Expenses with respect to credit losses	395	172	119	686	8	694
Accounting write-offs(1)	(50)	–	(65)	(115)	–	(115)
Collection of debts written off for accounting purposes in previous years(1)	39	–	42	81	–	81
Net accounting write-offs	(11)	–	(23)	(34)	–	(34)
Balance of provision for credit losses at end of period	**2,256**	**1,137**	**686**	**4,079**	**9**	**4,088**
Of which: With respect to off balance sheet credit instruments	**172**	**5**	**21**	**198**	**–**	**198**
	For the three months ended September 30, 2022 (unaudited)					
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(1)	(58)	–	(63)	(121)	–	(121)
Collection of debts written off for accounting purposes in previous years(1)	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 nine months ended September 30, 2023 (unaudited)					
Balance of provision for credit losses at start of period	1,690	902	512	3,104	1	3,105
Expenses with respect to credit losses	663	235	262	1,160	8	1,168
Accounting write-offs(1)	(192)	–	(180)	(372)	–	(372)
Collection of debts written off for accounting purposes in previous years(1)	95	–	92	187	–	187
Net accounting write-offs	(97)	–	(88)	(185)	–	(185)
Balance of provision for credit losses at end of period	**2,256**	**1,137**	**686**	**4,079**	**9**	**4,088**
Of which: With respect to off balance sheet credit instruments	**172**	**5**	**21**	**198**	**–**	**198**
	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(1)	(151)	–	(136)	(287)	–	(287)
Collection of debts written off for accounting purposes in previous years(1)	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**

(1) Accounting write-offs presented in the Note primarily consist of write-offs of a technical nature, due to passage of time of customers being in arrears, in conformity with US standards applicable to the Bank in this regard. Thus, for example, the balance of the provision for large non-accruing debts will typically be written off after two years. Debt measured on a group basis will be written off after 150 days in arrears. This means that the Bank's collection efforts may sometimes take longer when compared to the timing for write-off according to accounting rules. Consequently, relatively high balances of "accounting write-offs" and relatively high balances of "Recovery of debts written off in previous years" are presented.

(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 7 – Deposits from the Public

Reported amounts (NIS in millions):

A. Deposit types by location solicited and depositor type

	September 30		December 31
	2023	2022	2022
		(Unaudited)	(Audited)
In Israel			
On-call			
Non interest-bearing	71,924	[(1)]104,187	[(1)]91,961
Interest-bearing	32,304	[(1)]45,087	[(1)]39,737
Total on-call	**104,228**	**149,274**	**131,698**
Term deposits	235,025	188,993	204,829
Total deposits in Israel[(2)]	**339,253**	**338,267**	**336,527**
Outside of Israel			
On-call			
Non interest-bearing	465	568	409
Interest-bearing	159	36	66
Total on-call	**624**	**604**	**475**
Term deposits	11,157	6,468	7,512
Total deposits overseas	**11,781**	**7,072**	**7,987**
Total deposits from the public	**351,034**	**345,339**	**344,514**
(2) Includes:			
Deposits from individuals	**158,367**	**149,515**	**151,578**
Deposits from institutional investors	**77,927**	**79,194**	**75,938**
Deposits from corporations and others	**102,959**	**109,558**	**109,011**

B . Deposits from the public by size

	September 30		December 31
	2023	2022	2022
		(Unaudited)	(Audited)
Maximum deposit (NIS in millions)			
Up to 1	102,848	99,670	99,561
Over 1 to 10	90,928	85,300	86,771
Over 10 to 100	43,625	46,141	46,517
Over 100 to 500	35,914	39,962	35,348
Above 500	77,719	74,266	76,317
Total	**351,034**	**345,339**	**344,514**

(1) Reclassified.

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 2022 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 2022 financial statements.
3. On March 30, 2023, two agreements were signed that govern matters of onboarding and assignment of regular employees and trainees at the former Union Bank, their onboarding conditions, principles for pay conversion, bonuses, insurance coverage, pension rights, representations of the Associations and provisions for transition and performance. The parties to the agreement are Mizrahi Tefahot Employees' Association and Managers' Association (one agreement with the Employees' Association at the Bank; and another – with the Manager's Association at the Bank), the Labor Union, the Association of Former Union Bank Employees and the Association of Former Union Bank Managers and Authorized Signatories.
4. An extraordinary General Meeting of Bank shareholders, held on April 19, 2023, approved payment of an additional bonus for 2022, other than in conformity with the Bank's remuneration policy, amounting to NIS 350 thousand, to each of the following officers: Ms. Ayala Hakim and Mr. Ofir Morad.
5. Signing of special collective bargaining agreement with Mizrahi Tefahot Employee Union

   On June 26, 2023, the Bank and Mizrahi Tefahot Employee Union signed a special collective bargaining agreement for 2022-2026.

   Highlights of this agreement regarding salary and bonuses are as follows:
   - An additional NIS 1,000 was paid on top of each employee's monthly salary, as well as an additional NIS 200 for branch employees, for the period as from January 1, 2022. These amounts would be linked to the Consumer Price Index as from January 1, 2023.
   - Additional pay to employees in certain roles, such as Team Leader and Authorized Signatory.
   - The parties agreed that the base salary would be increased by 3% in each year between 2023-2024 and by 2% in each year between 2025-2026.
   - Social benefit contributions were revised so as to expand the base salary for retirement contributions and, in addition, the base salary for contributions to study funds was made identical to that for retirement contributions.
   - On September 1, 2023, the Bank paid a bonus to employees hired prior to January 1, 2022 (who are still employed by the Bank), whose amount equals two 13th monthly salaries; employees hired on or after January 1, 2022 (who are still employed by the Bank) paid a bonus equal to one 13th monthly salary.

   Various understandings were reached to enhance the Bank's managerial flexibility and to promote excellence, especially in consideration of current challenges, including changes in the labor market, innovation in the banking domain and to support achievement of the Bank's strategic targets. These include, *inter alia*:
   - Increase in number of individual employment contracts at Bank headquarters.
   - Potential individual award of pay increase to headquarters employees, subject to certain conditions.
   - Extension of the trial period for a specified number of employees, up to 5 years.
   - Option to reassign employees at the Bank's discretion.
   - Option to terminate up to 70 employees, initiated by the Bank due to unsuitability of employees classified as making a low contribution, during the term of this agreement.
   - Considering the expected transition of Bank headquarters employees to the new Bank campus in Lod, the parties agreed that work conditions (including with respect to employee welfare) in the new campus would be determined by the Bank exclusively, after consulting the employee union. The employee union shall have no claims whatsoever with respect to transition to the new campus.
   - Full and complete labor relations would be maintained throughout the term of the agreement.

   Concurrently with signing of this agreement, the Bank and the employee union signed an agreement to institute a voluntary retirement program, effective through December 31, 2027. Terms and conditions of this voluntary retirement program are essentially similar to those of the retirement program concluded on December 31, 2021.

   The Bank's financial statements include the effect of the payroll agreement. The Bank assumes that this agreement should not materially impact the Bank's financial statements in 2023 nor in subsequent years. Payroll expenses at the Bank for all of 2023 should include NIS 85 million with respect to the agreement, and should increase by a further NIS 30-45 million in each year between 2024-2026.

Note 8 – Employee Rights – continued

Reported amounts (NIS in millions)

6. 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
	2023	**2022**	**2023**	**2022**	**2022**
		(Unaudited)		**(Unaudited)**	**(Audited)**
Under payroll and associated expenses					
Cost of service(1)	13	19	43	60	83
Under other expenses					
Cost of interest(2)	19	18	56	52	70
Expected return on plan assets(3)	(1)	(5)	(8)	(14)	(20)
Deduction of non-allowed amounts:					
Net actuarial loss (gain)(4)	(12)	15	6	50	62
Total under other expenses	6	28	54	88	112
Total benefit cost, net	**19**	**47**	**97**	**148**	**195**
Total expense with respect to defined-contribution pension	50	51	140	151	190
Total expenses recognized in profit and loss	**69**	**98**	**237**	**299**	**385**

	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
	2023	**2023**	**2022**	**2023**	**2022**	**2022**
			(Unaudited)		**(Unaudited)**	**(Audited)**
Deposits	2	2	2	5	9	8

(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 2023.

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
	2023	**2022**	**2022**
		(Unaudited)	**(Audited)**
1. Consolidated data			
a. Capital for purpose of calculating the capital ratio			
Tier I equity[(1)]	27,504	24,332	25,072
Tier I capital[(1)]	27,504	24,332	25,072
Tier II capital	7,891	7,854	8,015
Total capital	**35,395**	**32,186**	**33,087**
b. Weighted risk asset balances			
Credit risk	249,772	228,416	234,383
Market risks	1,855	1,497	1,301
Operational Risk	20,140	15,369	16,567
Total weighted risk asset balances	**271,767**	**245,282**	**252,251**
c. Ratio of capital to risk components			
			In %
Ratio of Tier I equity to risk components	10.12	9.92	9.94
Ratio of Tier I capital to risk components	10.12	9.92	9.94
Ratio of total capital to risk components	13.02	13.12	13.12
Minimum Tier I equity ratio required by Supervisor of Banks[(2)]	9.60	9.61	9.60
Total minimum capital ratio required by the Supervisor of Banks[(2)]	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	11.59	10.22	10.51
Ratio of Tier I capital to risk components	11.59	10.22	10.51
Ratio of total capital to risk components	13.82	13.15	13.45
Minimum Tier I capital ratio required by Supervisor of Banks	9.00	9.00	9.00
Total minimum capital ratio required by the Supervisor of Banks	12.50	12.50	12.50

(1) These data include supervisory adjustments with respect to the following: Streamlining programs, charged equally over 5 years as from the start date thereof, effect of initial application of accounting principles with regard to expected credit losses and with respect to initial application of the Bank of Israel circular regarding weighting of loans subject to increased risk for purchase of land. For more information see section A.3 and A.4.

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

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

A. Capital adequacy – continued

Calculated in accordance with Proper Conduct of Banking Business Directives 201-211 "Measurement and Capital Adequacy" – continued

		As of September 30	As of December 31
	2023	**2022**	**2022**
		(Unaudited)	**(Audited)**
3. Capital components for calculating the capital ratio (on consolidated data)			
a. Tier I equity			
Shareholder's equity	27,672	24,046	24,868
Differences between shareholders' equity and Tier I equity	(642)	(524)	(543)
Tier I equity before regulatory adjustments and deductions	**27,030**	**23,522**	**24,325**
Supervisory adjustments and deductions:			
Goodwill and intangible assets	(132)	(152)	(147)
Deferred tax assets	–	–	–
Supervisory adjustments and other deductions[1]	426	676	612
Total supervisory adjustments and deductions, before adjustments with respect to the streamlining plan before adjustments for expected credit losses – Tier I equity	**294**	**524**	**465**
Total adjustments with respect to the streamlining program	3	19	15
Total adjustments for expected credit losses	177	267	267
Total Tier I equity after supervisory adjustments and deductions	**27,504**	**24,332**	**25,072**
b. Tier II capital			
Tier II capital: Instruments, before deductions	4,769	5,528	5,437
Tier II capital: Provisions, before deductions	3,260	2,533	2,785
Total Tier II capital, before deductions	**8,029**	**8,061**	**8,222**
Deductions:			
Deductions – Total adjustments for expected credit losses	(138)	(207)	(207)
Total Tier II capital	7,891	7,854	8,015
Total capital	**35,395**	**32,186**	**33,087**

4. Effect of adjustments with respect to streamlining plan, 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
	2023	**2022**	**2022**
			In %
Ratio of capital to risk components			
Ratio of Tier I equity to risk components, before effect of adjustments	10.05	9.75	9.78
Effect of adjustments with respect to the streamlining plan	–	0.01	–
Effect of adjustments for expected credit losses	0.07	0.12	0.12
Effect of adjustments with respect to loans subject to increased risk for land purchase	–	0.04	0.04
Ratio of Tier I equity to risk components	10.12	9.92	9.94

(1) Includes deferred credit balance from acquisition of Union Bank.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

B. Leverage ratio

Calculated in conformity with Proper Conduct of Banking Business Directive 218 "Leverage ratio"

	As of September 30		As of December 31
	2023	2022	2022
		(Unaudited)	(Audited)
1. Consolidated data			
Tier I capital[(1)]	27,504	24,332	25,072
Total exposure	476,015	462,856	463,010
			In %
Leverage ratio	5.78	5.26	5.42
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	6.56	5.86	6.08
Minimum leverage ratio required by the Supervisor of Banks[(3)]	4.50	4.50	4.50

(1) This data includes adjustments with respect to streamlining plans and adjustments with respect to initial application of accounting principles for expected credit losses, see sections A.3 and A.4 above.

(2) Banking corporations are required to achieve the minimum leverage ratio required by the Supervisor of Banks as from January 1, 2018.

(3) On May 2023, Bank of Israel rescinded the relief provided to Bank Yahav, for a minimum leverage ratio of 4.7%.

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
	2023	2022	2022
		(Unaudited)	(Audited)
			In %
1. Consolidated data			
Liquidity coverage ratio[(1)]	138	119	118
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
2. Bank data			
Liquidity coverage ratio[(1)]	139	120	118
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)]	413	250	209
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100

(1) In terms of simple average of daily observations during the reported quarter.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

D. Minimum net stable funding ratio required by directives of the Supervisor of Banks

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.

		As of September 30	As of December 31
	2023	2022	2022
		(Unaudited)	(Audited)
			In %
(1) On consolidated data			
Net stable funding ratio	113	116	115
The minimum net stable funding ratio required by the Supervisor of Banks	100	100	100
(2) Significant subsidiaries			
Bank Yahav			
Net stable funding ratio	169	158	156
The minimum net stable funding ratio required by the Supervisor of Banks	100	100	100

Factors which may materially affect the net stable funding ratio

Net stable funding ratio on consolidated basis as of September 30, 2023 was 113%. 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. 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.

Accordingly, the minimum Tier I equity ratio required of the Bank as of the reporting date is 9.60%, 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).

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

F. 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.
On October 31, 2023, a circular was issued regarding "Adjustments to Proper Conduct of Banking Business Directives for addressing the Iron Swords war (Interim Directive)", which included relief for Proper Conduct of Banking Business Directive 203 which clarified that increase in LTV above 80% for loans designated for land purchase for development or construction, due to interest accrued through December 31, 2023 due to any grace period granted after October 7, 2023 would not be accounted for in LTV calculation.

G 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.
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.

H. For more information about dividends, see "Condensed Statements of Changes in Shareholders' Equity. and Note 17 below.

I. For more information about directives and instructions by the Supervisor of Banks with regard to capital adequacy, see Note 25 to the 2022 financial statements.

Note 10 - Contingent Liabilities and Special Commitments

Reported amounts (NIS in millions)

A. Other liabilities and special commitments

	September 30		December 31
	2023	2022	2022
		(Unaudited)	(Audited)
1. Computerization and software service contracts	358	350	313
2. Acquisition and renovation of buildings	130	23	221

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
	2023	2022	2023	2022	2022
		(Unaudited)		(Unaudited)	(Audited)
Carrying amount of credit sold	–	1,900	25	1,903	1,903
Total consideration	–	1,940	25	1,943	1,943
Service obligation – expense with respect to operational services	–	32	–	32	32
Total net gain with respect to credit sold	–	8	–	8	8

Note 10 – Contingent Liabilities and Special Commitments – continued

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 2022 financial statements. Below is a description of material changes from the Note included in the 2022 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 2022 financial statements:

   A) In May 2016, the Bank received a claim and motion for approval of class action status, alleging unlawful over-charging of commissions to customers eligible to be classified as a small business, in breach of the Bank's duties in its relations with customers.

      The plaintiff 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 plaintiff estimates the damage at NIS 220 million.

      The hearing of this motion is concurrently with 5 motions filed against 5 other banks. Evidentiary hearings in this case were held in March-April 2023. As recommended by the Court, the parties have reached agreement with regard to the mediation proceeding.

   B) In December 2017, the Bank received a claim and motion for approval of class action status filed, amounting to NIS 124 million. The claim involves setting of the interest rate on residential mortgages bearing bond-based adjustable interest. 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.

      On March 8, 2023, a verdict was handed down, confirming the settlement agreement reached by the parties.

   C) In September 2018, the Bank received a claim and motion for approval of class action status amounting to 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 hearing of this case is consolidated with similar motions filed against other banks on the same matter. The parties are in mediation proceeding and at this stage, evidentiary hearings have been cancelled.

   D) In December 2018, the Bank received a claim and motion for class action status amounting to NIS 280 million, filed against the Bank, other banks and multiple insurance companies, 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. On February 19, 2023, the motion to withdraw by filed the plaintiff was approved.

Note 10 – Contingent Liabilities and Special Commitments – continued

E) In May 2020, the Bank received a motion for approval of class action status, of unspecified amount, alleging breach of duty of confidentiality, by the Bank providing various identifiable information to international information corporations, and in particular to Facebook, allowing them to gather private information about Bank customers, allegedly in breach of provisions of the Privacy Protection Law, 1981 and other statutes, without providing required disclosure to Bank customers and without obtaining their consent. 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. The plaintiff further alleges that all conditions listed in Bank documents, allowing the Bank to provide information about its customers to third parties constitute unfair conditions in a uniform contract.

Hearing of this case is consolidated with 3 other claims filed in the same matter against 3 other banks. On September 27, 2023, the Court ruled on various motions filed by the banks with respect to plaintiffs' responses to the banks' responses. The ruling also determined that issues in this lawsuit would be referred to the Supervisor of Banks for their position.

F) In April 2021, the Bank received a motion for class action status filed against the Bank and 14 other defendants (other banks and financial institutions, hereinafter: "the defendants"), alleging transfer of private information to third parties while browsing the "Personal Zone" on websites and apps operated by the defendants, allegedly in violation of privacy and allegedly in breach of provisions of the Privacy Protection Law, Banking Rules and multiple other obligations imposed on the defendants.

The 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.

The parties have entered into a mediation proceeding which proved unsuccessful. Evidentiary hearings are scheduled in this case.

G) In February 2022, the Bank received a motion for class action status, filed 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 customeraccounts at the defendant banks, made through non-banking ATMs operated by private 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.

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.

As ruled by the Court, the Supervisor of Banks filed their position on this matter, whereby an issuer bank may charge a direct channel fee for withdrawal from a non-bank ATM, and in this regard, general disclosure on the ATM screen that a further fee would be charged by the Bank is sufficient.

H) In April 2022, the Bank received a motion for approval of class action status of no stated amount, concerning double charging of commission, allegedly unlawfully, in an exchange transaction of two foreign currencies, and absence of proper disclosure about these charges in the conversion differences.

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); 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.

On December 2, 2022, a verdict was handed down, rejecting out of hand the motion for approval of class action status. On January 18, 2023, the plaintiff appealed this verdict to the Supreme Court. A hearing of the appeal by the Supreme Court was re-scheduled for June 19, 2024.

Note 10 – Contingent Liabilities and Special Commitments – continued

l) In September 2022, the Bank received a motion for approval of class action status, with no estimated amount. The motion concerns allegations regarding the Bank website, which the plaintiff alleges is in breach of provisions of Section 5(c) of the Banking Law (Customer service), 1981. Allegedly, the Bank presents on its marketing website diverse loans for different purposes, and encourages Bank customers to take out loans, without displaying the warning allegedly mandated by Section 5(c) of the Banking Law, whereby "Failure to make loan repayments may result in arrears interest charges and in debt collection proceedings".
On March 26, 2023, the Court handed down a verdict approving the parties motion for the plaintiff to withdraw the motion for approval of class action status.

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 76 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) On August 9, 2023, the Bank received a claim and motion for approval of class action status, of unspecified amount, filed against the Bank and other banks. The motion concerns the requirement to provide a building insurance policy incidental to a mortgage, to be pledged in favor of the Bank, even when the property value net of the relevant land value exceeds the requested loan amount or the outstanding loan balance, allegedly in contravention of provisions of Proper Conduct of Banking Business Directive 451, whereby the Bank may not require the borrower to obtain such insurance. It was further alleged that the defendant banks do not inform the borrowers, during the loan period, of the option available to them not to insure the property under such circumstances, with respect to the outstanding loan balance.
The Bank is to file its response to the motion by December 13, 2023. A pre-trial hearing is scheduled for February 7, 2024.

b) In August 2023, the Bank received a claim and motion for class action status, of unspecified amount. The motion concerns terms of interest and deposit types used as temporary collateral for mortgage transition from one land property to an alternative land property.
Allegedly, the Bank makes its consent to the customer request to transition the mortgage contingent on receiving liquid collateral, and in case of a deposit as such collateral, the investment options offered to the customer for such deposit are inferior by comparison to other investment options, and in particular – by comparison to other deposits offered to all Bank customers, and such action by the Bank results in excess profit for the Bank. It is further alleged that during the term of such deposit, the customer is required to maintain a valid life insurance policy. This is allegedly in contravention of the mortgage agreement, and in breach of multiple duties applicable to the Bank pursuant to statutes.
The Bank is to file its response to the motion by December 13, 2023.

c) In July 2023, the Bank received a claim and motion for approval of class action status, filed against the Bank and other banks. The claim alleges misleading behavior and failure to provide disclosure, when making a deposit online or in the app, of the interest rate offered and paid to other bank customers for the same deposits, and of the option to obtain better interest. This involves allegedly unlawful action tantamount to misleading behavior, exploitative and lacking good faith, as well as unlawful enrichment. The total damage claimed for all banks amounts to NIS 984 million.
The Bank is to file its response to the motion by March 3, 2024. A pre-trial hearing is scheduled for July 8, 2024.

d) In June 2023, the Bank received a motion for class action status brought against the Bank and other banks, claiming damages in excess of NIS 1 billion, for non-payment of interest for credit balances in current accounts. The motion alleges that the Bank does not pay interest for credit balances in current accounts held with the Bank, by way of credit interest or by automated deposit of credit balances in the account to an interest-bearing deposit, and that the Bank fails to inform customers of the appropriate options in such circumstances, in breach of various statutory provisions and with unlawful enrichment.
The Bank is to file its response to the motion by January 17, 2024. A pre-trial hearing is scheduled for June 5, 2024.

Note 10 – Contingent Liabilities and Special Commitments – continued

e) In June 2023, the Bank received a claim and motion for approval of class action status, filed against the Bank and other banks, alleging over-charging of debit interest linked to the Prime lending rate. The claim alleges that the Bank increases the Prime lending rate used to determine the debit interest rate for debit balances in current accounts and in loans, whenever the Bank of Israel changes its interest rate, and by exactly the same change, without exercising judgment and without paying due consideration to changes to the cost of credit sources, thereby increasing the Bank's earnings by allegedly using, other than in good faith, unfair sections of uniform banking contracts, as well as unlawful enrichment.
The total estimated damage for all defendants amounts to NIS 5.8 billion.
The Bank is to file its response to the motion by February 7, 2024. A pre-trial hearing of this case is scheduled for May 5, 2024.

f) In May 2023, the Bank received a claim and motion for class action status, of unspecified amount, with respect to setting the interest rate in the fixed interest track of residential mortgages, carried out in parts. The motion alleges that the Bank should set an annual interest rate based on the basic interest rate plus the "additional rate" which, according to the plaintiff, should be fixed; However, allegedly the Bank calculates the additional interest based on the interest rate upon signing the loan agreement, but based on the basic interest on later dates, in contravention of the loan agreement and of provisions of Proper Conduct of Banking Business Directive 421 regarding "Decrease or increase in interest rates".
The Bank is to file its response to the motion by November 30, 2023.

g) In November 2022, the Bank received a motion for approval of class action lawsuit, of unspecified amount, concerning revision of interest rates in conformity with agreements for residential mortgages in the variable interest track based on bonds as an anchor (yield of Government bonds), alleging that this creates an unfair advantage for the Bank at the expense of borrowers, and that the condition stipulated in such agreements, whereby the change in anchor would only apply "on condition that the sum of these components shall not be less than 0%" constitutes, allegedly, a discriminatory condition in a uniform contract, as defined in Section 2 of the Uniform Contract Law, 1982.
The Bank has yet to file its response to the motion. A preliminary hearing of this case is scheduled for December 20, 2023.

h) In April 2022, the Bank received a motion for approval of class action status, with no estimated amount, alleging 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, 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, pending a ruling by the Supreme Court in an appeal filed by the aforementioned non-bank lender.

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 August 2023, the Bank received a motion filed with the Tel Aviv Yafo District Court by two individual shareholders of the Bank, seeking an order for document disclosure pursuant to Section 198a of the Corporate Law, 1999 – against the Bank, members of the Bank Board of Directors and the CEO & President of the Bank ("defendants" and "motion", respectively), to order the Bank and/or any of the other defendants to disclose to the plaintiffs various documents with regard to obtaining a mortgage. The motion alleges that the plaintiffs have *prima faciae* evidence, whereby the Bank allegedly assists its customers from the Jewish Orthodox segment to subvert the Bank of Israel directives and mandatory reporting pursuant to the AML Law, and that this indicates a failure in conduct of the Bank, its officers and employees, which justified consideration of filing a derivative lawsuit against Bank officers and employees regarding damage incurred by the Bank due to their deeds and omissions.
On September 21, 2023, an agreed motion was filed for removal of the officers from the motion, due to the nature of the motion whereby all sought remedies are directed at the Bank. On September 24, 2023, the Court ruled and accepted this motion for removal.

Note 10 – Contingent Liabilities and Special Commitments – continued

b) In September 2020, the Bank received a motion for approval of a derivative lawsuit filed by a heir of 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.
The parties filed a motion for agreed withdrawal with the Court, and on July 30, 2023, the Court handed down its ruling denying the motion.

c) In December 2016, a motion pursuant to Section 198a of the Corporate Law, 1999, was filed with the Tel Aviv District Court for discovery and review of Union Bank documents (hereinafter: "Union Bank"), whereby the Court was asked to instruct Union Bank to divulge documents with regard to credit extended by Union Bank to a major borrower (who is in insolvency proceedings) and to others whose debt is personally guaranteed by the borrower (hereinafter: "the Motion for Discovery"). 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. After the Committee has concluded its work and after the Union Bank Board of Directors discussed and adopted its recommendations, the parties conducted a mediation proceeding which was unsuccessful. Therefore, on September 25, 2019, the plaintiff filed a motion for approval of a derivative lawsuit (hereinafter: "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 major borrower in 2004-2008, with no collateral or with collateral that only partially covers his debt, with negligent discretion exercised and apparent indifference. It further alleged that Union Bank and officers took no action to recover Union Bank's money. The plaintiff alleges that the defendants caused Union Bank to incur damage, by their negligence, amounting to NIS 125 million, taking into account the receipts to be collected in the insolvency proceedings of the major borrower.
The parties negotiated with attorneys of the insurers in the Board member and officer liability insurance policy; On April 14, 2022, the settlement agreement was submitted for Court approval, other than in agreement with the plaintiff.
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 fact that it was not reached in agreement with the plaintiff. On March 16, 2023, Bank Mizrahi Tefahot, after completion of the Union Bank merger there with and there into on December 29, 2022, filed a motion seeking a ruling on the format for filing the motion for approval of the settlement agreement.
On June 7, 2023, a hearing took place at which the parties and representatives of the Attorney General and of the insurers presented their position, after which the Court suggested that the parties negotiate this matter. Accordingly, the parties were in further negotiations of a settlement agreement after which, on August 17, 2023, an agreed motion was filed for confirmation of the settlement agreement, with the plaintiff also being party to this agreement.
As per the Court ruling, on November 6, 2023 the Attorney General filed their position regarding the motion for approval of the settlement agreement, whereby the Attorney General has no objection to approval of the settlement agreement. However, the Attorney General noted in their position statement, that the Court may wish to consider of the settlement agreement per se.

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, 2023 (unaudited)				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	2,787	534	97	103	3,521
Guarantees to home buyers	8,720	6,065	353	165	15,303
Guarantees and other commitments	5,445	1,916	521	5,360	13,242
Commitments to issue guarantees	3,874	6,473	1,112	–	11,459
Total guarantees	**20,826**	**14,988**	**2,083**	**5,628**	**43,525**

	As of September 30, 2022 (unaudited)				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	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 December 31, 2022 (audited)				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	2,535	797	88	111	3,531
Guarantees to home buyers	11,962	5,433	875	799	19,069
Guarantees and other commitments	5,654	1,854	574	4,799	12,881
Commitments to issue guarantees	2,952	4,787	383	–	8,122
Total guarantees	**23,103**	**12,871**	**1,920**	**5,709**	**43,603**

Note 11 – Derivative instruments and hedging activities

Reported amounts (NIS in millions)

A) Activity on consolidated basis

	September 30, 2023 (unaudited)			September 30, 2022 (unaudited)		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
1. Stated amounts of derivative instruments						
Interest contracts						
Forward contracts	386	800	1,186	591	3,040	3,631
Options written	–	–	–	–	–	–
Options purchased	–	–	–	–	–	–
Swaps[1]	23,988	54,432	78,420	33,212	28,554	61,766
Total[2]	**24,374**	**55,232**	**79,606**	**33,803**	**31,594**	**65,397**
Of which: Hedging derivatives[3]	**2,701**	**–**	**2,701**	**898**	**–**	**898**
Currency contracts						
Forward contracts and futurescontracts[4] [6]	47,789	134,756	182,545	77,387	89,263	166,650
Options written	–	15,932	15,932	–	14,812	14,812
Options purchased	–	15,299	15,299	–	14,663	14,663
Swaps	955	979	1,934	987	845	1,832
Total	**48,744**	**166,966**	**215,710**	**78,374**	**119,583**	**197,957**
Of which: Hedging derivatives[3]	**–**	**–**	**–**	**–**	**–**	**–**
Contracts for shares						
Forward contracts and futures contracts	–	38,060	38,060	–	19,919	19,919
Options written	139	10,431	10,570	50	[7]6,200	6,250
Options purchased[5]	–	10,433	10,433	–	[7]6,152	6,152
Swaps	–	2,614	2,614	–	1,991	1,991
Total	**139**	**61,538**	**61,677**	**50**	**34,262**	**34,312**
Commodities and other contracts						
Forward contracts and futures contracts	–	144	144	–	4	4
Options written	–	–	–	–	[7]33	33
Options purchased	–	–	–	–	[7]33	33
Total	**–**	**144**	**144**	**–**	**70**	**70**
Credit contracts						
Bank is guarantor	–	–	–	284	–	284
Bank is beneficiary	23	–	23	68	–	68
Total	**23**	**–**	**23**	**352**	**–**	**352**
Total stated amount	**73,280**	**283,880**	**357,160**	**112,579**	**185,509**	**298,088**

(1) Includes swaps where the banking corporation pays a fixed interest rate amounting to NIS 48,035 million (as of September 30, 2022: NIS 35,486 million)
(2) Of which: NIS/CPI swaps amounting to NIS 5,684 million (as of September 30, 2022: NIS 7,357 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 10,751 million (as of September 30, 2022: NIS 8,950 million)
(5) Of which: Traded on the Stock Exchange, amounting to NIS 10,431 million (as of September 30, 2022: NIS 6,150 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.
(7) Reclassified.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

A) Activity on consolidated basis – continued

	As of December 31, 2022 (audited)		
	Derivatives not held for trading	Derivatives held for trading	Total
1. Stated amounts of derivative instruments			
Interest contracts			
Forward contracts	594	5,565	6,159
Options written	–	–	–
Options purchased	–	–	–
Swaps[(1)]	32,082	31,670	63,752
Total[(2)]	**32,676**	**37,235**	**69,911**
Of which: Hedging derivatives[(3)]	**3,033**	**–**	**3,033**
Currency contracts			
Forward contracts and futures contracts[(4) (6)]	57,098	104,321	161,419
Options written	–	13,158	13,158
Options purchased	–	13,187	13,187
Swaps	909	805	1,714
Total	**58,007**	**131,471**	**189,478**
Of which: Hedging derivatives[(3)]	**–**	**–**	**–**
Contracts for shares			
Forward contracts	–	20,789	20,789
Options written	63	7,446	7,509
Options purchased[(5)]	–	7,447	7,447
Swaps	–	3,598	3,598
Total	**63**	**39,280**	**39,343**
Commodities and other contracts			
Forward contracts	–	258	258
Options written	–	–	–
Options purchased	–	–	–
Total	**–**	**258**	**258**
Credit contracts			
Bank is guarantor	281	–	281
Bank is beneficiary	64	–	64
Total	**345**	**–**	**345**
Total stated amount	**91,091**	**208,244**	**299,335**

(1) Of which: seaps where the banking corporation pays a fixed interest, amounting to NIS 36,435 million.
(2) Of which: NIS/CPI swaps amounting to NIS 6,794 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 2,453 million.
(5) Of which: Traded on the stock exchange, amounting to NIS 6,433 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, 2023 (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	1,774	991	2,765	1,265	768	2,033
Of which: Hedging derivatives	301	–	301	28	–	28
Currency contracts(1)	110	3,557	3,667	34	3,141	3,175
Of which: Hedging derivatives	–	–	–	–	–	–
Contracts for shares	–	888	888	1	875	876
Commodities and other contracts	–	10	10	–	10	10
Credit contracts	–	–	–	2	–	2
Total assets / liabilities with respect to derivatives, gross(2)	**1,884**	**5,446**	**7,330**	**1,302**	**4,794**	**6,096**
Fair value amounts offset in the balance sheet	–	–	–	–	–	–
Carrying amount of assets / liabilities with respect to derivative instruments	**1,884**	**5,446**	**7,330**	**1,302**	**4,794**	**6,096**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	17	1,764	1,781	11	1,382	1,393

	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

(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 11 million (as of September 30, 2022: NIS 10 million). Fair value of liabilities with respect to embedded derivative instruments amounting to NIS 1 million (as of September 30, 2022: NIS 10 million).

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

A) Activity on consolidated basis – continued

	December 31, 2022					
	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	1,428	689	2,117	1,331	436	1,767
Of which: Hedging derivatives	217	–	217	56	–	56
Currency contracts[(1)]	94	2,904	2,998	291	2,417	2,708
Of which: Hedging derivatives	–	–	–	–	–	–
Contracts for shares	–	677	677	7	725	732
Commodities and other contracts	–	4	4	–	4	4
Credit contracts	2	–	2	10	–	10
Total assets / liabilities with respect to derivatives, gross[(2)]	**1,524**	**4,274**	**5,798**	**1,639**	**3,582**	**5,221**
Fair value amounts offset in the balance sheet	–	–	–	–	–	–
Carrying amount of assets / liabilities with respect to derivative instruments	**1,524**	**4,274**	**5,798**	**1,639**	**3,582**	**5,221**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	63	1,709	1,772	48	956	1,004

(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 9 million. Gross fair value of liabilities 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		For the nine months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Interest revenues (expenses)				
Interest contracts					
Hedged items	(89)	(56)	(98)	(161)	(241)
Hedging derivatives	84	57	96	158	247

	Balance as of September 30, 2023		Balance as of September 30, 2022		Balance as of December 31, 2022	
	Book value	Cumulative fair value adjustments that increased the book value	Book value	Cumulative fair value adjustments that increased the book value	Book value	Cumulative fair value adjustments that increased the book value
Securities available for sale	1,681	40	1,647	6	1,647	43

2. Cash flows hedges[2]

	For the three months ended September 30, 2023		For the nine months ended September 30, 2023		For the year ended December 31, 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)	Amounts recognized in Other Comprehensive Income (loss) from derivatives	Interest revenues (expenses)
	–	(2)	3	(21)	12	(74)

	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)
	11	(32)	4	(51)

(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, 2023 (unaudited)						
	Stock exchanges	**Banks**	**Dealers/ Brokers**	**Governments and central banks**	**Institutional investors**	**Others**	**Total**
Carrying amount of assets with respect to derivative instruments	**28**	**3,305**	**807**	**–**	**2,418**	**772**	**7,330**
Gross amounts not offset in the balance sheet:							
Mitigation of credit risk with respect to financial instruments	–	(3,145)	–	–	(964)	(19)	(1)(4,128)
Mitigation of credit risk with respect to cash collateral received	–	(160)	–	–	(1,290)	(76)	(1,526)
On-balance sheet credit risk with respect to derivative instruments	**28**	**–**	**807**	**–**	**164**	**677**	**1,676**
Net off-balance sheet credit risk with respect to derivative instruments(2)	128	763	1,266	16	2,566	410	5,149
Total credit risk on derivative instruments	**156**	**763**	**2,073**	**16**	**2,730**	**1,087**	**6,825**
Carrying amount of liabilities with respect to derivative instruments	**30**	**3,566**	**807**	**135**	**1,033**	**525**	**6,096**
Gross amounts not offset in the balance sheet:							
Financial instruments	–	(3,145)	–	–	(964)	(19)	(4,128)
Pledged cash collateral	–	(421)	–	(128)	(69)	–	(618)
Net amount of liabilities with respect to derivative instruments	**30**	**–**	**807**	**7**	**–**	**506**	**1,350**

	September 30, 2022 (unaudited)						
	Stock exchanges	**Banks**	**Dealers/ Brokers**	**Governments and central banks**	**Institutional investors**	**Others**	**Total**
Carrying amount of assets with respect to derivative instruments	**117**	**2,968**	**989**	**–**	**3,629**	**1,002**	**8,705**
Gross amounts not offset in the balance sheet:							
Mitigation of credit risk with respect to financial instruments	–	(2,551)	–	–	(1,319)	(513)	(1)(4,383)
Mitigation of credit risk with respect to cash collateral received	–	(355)	–	–	(708)	(43)	(1,106)
On-balance sheet credit risk with respect to derivative instruments	**117**	**62**	**989**	**–**	**1,602**	**446**	**3,216**
Net off-balance sheet credit risk with respect to derivative instruments(2)	80	659	490	–	1,912	448	3,589
Total credit risk on derivative instruments	**197**	**721**	**1,479**	**–**	**3,514**	**894**	**6,805**
Carrying amount of liabilities with respect to derivative instruments	**114**	**4,282**	**989**	**–**	**1,418**	**756**	**7,559**
Gross amounts not offset in the balance sheet:					–		
Financial instruments	–	(2,551)	–	–	(1,319)	(513)	(4,383)
Pledged cash collateral	–	(1,731)	–	–	(99)	(132)	(1,962)
Net amount of liabilities with respect to derivative instruments	**114**	**–**	**989**	**–**	**–**	**111**	**1,214**

(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, 2022 (audited)						
	Stock exchanges	Banks	Dealers/ Brokers	Governments and central banks	Institutional investors	Others	Total
Carrying amount of assets with respect to derivative instruments	**69**	**2,340**	**450**	**–**	**2,278**	**661**	**5,798**
Gross amounts not offset in the balance sheet:							
Mitigation of credit risk with respect to financial instruments	–	(1,930)	–	–	(470)	(52)	(1)(2,452)
Mitigation of credit risk with respect to cash collateral received	–	(35)	–	–	(567)	(52)	(654)
Net amount of assets with respect to derivative instruments	**69**	**375**	**450**	**–**	**1,241**	**557**	**2,692**
Off-balance sheet credit risk on derivative instruments(2)	118	664	726	5	1,669	469	3,651
Total credit risk on derivative instruments	**187**	**1,039**	**1,176**	**5**	**2,910**	**1,026**	**6,343**
Carrying amount of liabilities with respect to derivative instruments	**54**	**3,575**	**450**	**14**	**470**	**658**	**5,221**
Gross amounts not offset in the balance sheet:							
Financial instruments	–	(1,930)	–	–	(470)	(52)	(2,452)
Pledged cash collateral	–	(1,645)	–	(14)	–	–	(1,659)
Net amount of liabilities with respect to derivative instruments	**54**	**–**	**450**	**–**	**–**	**606**	**1,110**

(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, 2023, the Bank recognized expenses from increase in provision for credit losses amounting to NIS 8 million. In the nine-month period ended September 30, 2023, the Bank recognized expenses from increase in provision for credit losses amounting to NIS 6 million (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.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

D) Maturity dates – stated amounts: Balances at end of period – Consolidated

	September 30, 2023 (unaudited)				
	Up to three months	**3 months to 1 year**	**1-5 years**	**Over 5 years**	**Total**
Interest contracts:					
NIS – CPI	595	2,340	1,976	773	5,684
Other	11,588	18,634	28,106	15,594	73,922
Currency contracts	142,431	69,166	3,982	131	215,710
Contracts for shares	60,822	677	178	–	61,677
Commodities and other contracts	63	44	60	–	167
Total	**215,499**	**90,861**	**34,302**	**16,498**	**357,160**
	September 30, 2022 (unaudited)				
Total	**166,031**	**87,879**	**29,127**	**15,051**	**298,088**
	As of December 31, 2022 (audited)				
Total	**174,385**	**79,826**	**29,457**	**15,667**	**299,335**

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 customerattribution 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, 2023 (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	8,721	1,594	43	10,315	1	2,212
Interest expenses from externals	–	2,079	–	2,079	653	932
Interest revenues, net from externals	8,721	(485)	43	8,236	(652)	1,280
Interest revenues, net – inter-segment	(6,661)	3,332	(12)	(3,329)	901	714
Total interest revenues, net	**2,060**	**2,847**	**31**	**4,907**	**249**	**1,994**
Total non-interest financing revenues	–	–	–	–	–	–
Total commissions and other revenues	105	537	169	642	15	425
Total non-interest revenues	**105**	**537**	**169**	**642**	**15**	**425**
Total revenues	**2,165**	**3,384**	**200**	**5,549**	**264**	**2,419**
Expenses with respect to credit losses	235	262	14	497	–	372
Operating and other expenses to externals	707	1,814	54	2,521	15	920
Operating and other expenses – inter-segment	–	3	–	3	1	6
Total operating and other expenses	**707**	**1,817**	**54**	**2,524**	**16**	**926**
Pre-tax profit	1,223	1,305	132	2,528	248	1,121
Provision for taxes on profit	428	456	46	884	87	392
After-tax profit	**795**	**849**	**86**	**1,644**	**161**	**729**
Share of banking corporation in earnings of associated companies	–	–	–	–	–	–
Net profit before attribution to non-controlling interests	795	849	86	1,644	161	729
Net profit attributed to non-controlling interests	–	(115)	(2)	(115)	–	(11)
Net profit attributable to shareholders of the banking corporation	**795**	**734**	**84**	**1,529**	**161**	**718**
Average balance of assets	202,114	27,133	4,500	229,247	126	34,564
Of which: Investments in associated companies	–	–	–	–	–	–
Average balance of loans to the public	200,980	27,064	4,500	228,044	126	34,517
Balance of loans to the public at end of reported period	(3)204,852	28,173	4,828	233,025	99	35,676
Balance of non-accruing debts	1,841	71	–	1,912	–	758
Balance of debt in arrears 90 days or longer	–	57	–	57	–	82
Average balance of liabilities	327	130,470	–	130,797	26,594	55,788
Of which: Average balance of deposits from the public	–	128,387	–	128,387	26,594	55,491
Balance of deposits from the public at end of reported period	–	130,231	–	130,231	28,136	54,785
Average balance of risk assets(1)	119,525	22,035	4,130	141,560	50	33,170
Balance of risk assets at end of reported period(1)	122,342	22,728	4,135	145,070	13	33,209
Average balance of assets under management(2)	10,132	58,906	–	69,038	4,190	44,508
Breakdown of interest revenues, net:						
Margin from credit granting operations	1,753	827	31	2,580	–	1,034
Margin from activities of receiving deposits	–	1,978	–	1,978	249	867
Other	307	42	–	349	–	93
Total interest revenues, net	**2,060**	**2,847**	**31**	**4,907**	**249**	**1,994**

(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) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 12,671 million.

						Operations overseas	Total
	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
	729	1,712	45	2,158	17,172	1,151	18,323
	293	1,100	2,244	1,406	8,707	330	9,037
	436	612	(2,199)	752	8,465	821	9,286
	52	266	2,353	(443)	514	(514)	–
	488	**878**	**154**	**309**	**8,979**	**307**	**9,286**
	–	–	–	678	678	–	678
	77	162	38	348	1,707	18	1,725
	77	**162**	**38**	**1,026**	**2,385**	**18**	**2,403**
	565	**1,040**	**192**	**1,335**	**11,364**	**325**	**11,689**
	71	158	2	8	1,108	60	1,168
	151	254	134	302	4,297	76	4,373
	–	(1)	(2)	(7)	–	–	–
	151	**253**	**132**	**295**	**4,297**	**76**	**4,373**
	343	629	58	1,032	5,959	189	6,148
	120	220	20	361	2,084	66	2,150
	223	**409**	**38**	**671**	**3,875**	**123**	**3,998**
	–	–	–	1	1	–	1
	223	409	38	672	3,876	123	3,999
	–	–	–	(10)	(136)	–	(136)
	223	**409**	**38**	**662**	**3,740**	**123**	**3,863**
	12,243	32,857	1,161	98,748	408,946	25,855	434,801
	–	–	–	179	179	–	179
	12,243	32,857	1,053	–	308,840	7,300	316,140
	12,522	35,054	2,684	–	319,060	8,411	327,471
	222	62	–	–	2,954	137	3,091
	–	–	–	–	139	2	141
	12,565	39,645	68,368	60,271	394,028	11,127	405,155
	12,565	37,215	67,536	–	327,788	9,274	337,062
	12,434	35,740	77,927	–	339,253	11,781	351,034
	14,572	44,263	1,886	15,992	251,493	9,463	260,956
	14,739	49,093	684	18,117	260,925	10,842	271,767
	10,297	30,232	376,839	2,019	537,123	–	537,123
–							
	298	574	16	–	4,502	191	4,693
	155	203	134	–	3,586	19	3,605
	35	101	4	309	891	97	988
	488	**878**	**154**	**309**	**8,979**	**307**	**9,286**

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, 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 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	1,158	169	116	1,327	103	745
Provision for taxes on profit	392	57	39	449	35	252
After-tax profit	**766**	**112**	**77**	**878**	**68**	**493**
Share of banking corporation in earnings of associated companies	–	–	–	–	–	–
Net profit 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 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	1,302	73	–	1,375	–	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) Of which: 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	–	556	556	–	556
	77	145	38	718	2,085	20	2,105
	76	**146**	**38**	**1,274**	**2,641**	**20**	**2,661**
	383	**700**	**200**	**2,746**	**9,723**	**226**	**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	2,361	5,091	158	5,249
	47	119	21	799	1,722	54	1,776
	93	**233**	**42**	**1,562**	**3,369**	**104**	**3,473**
	–	–	–	4	4	–	4
	93	233	42	1,566	3,373	104	3,477
	–	–	–	(20)	(92)	–	(92)
	93	**233**	**42**	**1,546**	**3,281**	**104**	**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	–	–	2,599	46	2,645
	–	–	–	–	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 three months ended September 30, 2023 (unaudited)
Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	3,022	307	15	3,329	(2)	808
Interest expenses from externals	–	315	–	315	242	323
Interest revenues, net from externals	3,022	(8)	15	3,014	(244)	485
Interest revenues, net – inter-segment	(2,313)	989	(8)	(1,324)	323	198
Total interest revenues, net	**709**	**981**	**7**	**1,690**	**79**	**683**
Total non-interest financing revenues	–	–	–	–	–	–
Total commissions and other revenues	30	184	62	214	6	138
Total non-interest revenues	**30**	**184**	**62**	**214**	**6**	**138**
Total revenues	**739**	**1,165**	**69**	**1,904**	**85**	**821**
Expenses with respect to credit losses	172	120	4	292	(1)	165
Operating and other expenses to externals	204	603	17	807	5	298
Operating and other expenses – inter-segment	–	5	–	5	2	10
Total operating and other expenses	**204**	**608**	**17**	**812**	**7**	**308**
Pre-tax profit	363	437	48	800	79	348
Provision for taxes on profit	129	154	17	283	28	123
After-tax profit	**234**	**283**	**31**	**517**	**51**	**225**
Share of banking corporation in earnings of associated companies	–	–	–	–	–	–
Net profit before attribution to non-controlling interests	234	283	31	517	51	225
Net profit attributed to non-controlling interests	–	(30)	(1)	(30)	–	(4)
Net profit attributable to shareholders of the banking corporation	**234**	**253**	**30**	**487**	**51**	**221**
Average balance of assets	203,621	27,328	4,482	230,949	119	34,578
Of which: Investments in associated companies	–	–	–	–	–	–
Average balance of loans to the public	202,394	27,267	4,482	229,661	119	34,532
Balance of loans to the public at end of reported period	(3)204,852	28,173	4,828	233,025	99	35,676
Balance of non-accruing debts	1,841	71	–	1,912	–	758
Balance of debt in arrears 90 days or longer	–	57	–	57	–	82
Average balance of liabilities	329	131,250	–	131,579	27,128	55,922
Of which: Average balance of deposits from the public	–	129,174	–	129,174	27,128	55,619
Balance of deposits from the public at end of reported period	–	130,231	–	130,231	28,136	54,785
Average balance of risk assets(1)	121,437	22,353	4,135	143,790	43	33,288
Balance of risk assets at end of reported period(1)	122,342	22,728	4,135	145,070	13	33,209
Average balance of assets under management(2)	10,041	60,471	–	70,512	4,339	45,867
Breakdown of interest revenues, net:						
Margin from credit granting operations	576	273	7	849	–	354
Margin from activities of receiving deposits	–	692	–	692	79	293
Other	133	16	–	149	–	36
Total interest revenues, net	**709**	**981**	**7**	**1,690**	**79**	**683**

(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) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 12,671 million.

						Operations overseas	Total
	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
	287	680	22	661	5,785	439	6,224
	110	387	813	927	3,117	148	3,265
	177	293	(791)	(266)	2,668	291	2,959
	(22)	4	839	163	181	(181)	–
	155	**297**	**48**	**(103)**	**2,849**	**110**	**2,959**
	–	–	–	341	341	–	341
	29	54	11	110	562	6	568
	29	**54**	**11**	**451**	**903**	**6**	**909**
	184	**351**	**59**	**348**	**3,752**	**116**	**3,868**
	65	128	2	8	659	35	694
	44	87	49	98	1,388	27	1,415
	–	(4)	(3)	(10)	–	–	–
	44	**83**	**46**	**88**	**1,388**	**27**	**1,415**
	75	140	11	252	1,705	54	1,759
	27	50	4	90	605	19	624
	48	**90**	**7**	**162**	**1,100**	**35**	**1,135**
	–	–	–	–	–	–	–
	48	90	7	162	1,100	35	1,135
	–	–	–	(3)	(37)	–	(37)
	48	**90**	**7**	**159**	**1,063**	**35**	**1,098**
	12,285	33,452	1,260	98,164	410,807	27,539	438,346
	–	–	–	195	195	–	195
	12,285	35,118	1,254	–	312,969	7,543	320,512
	12,522	35,054	2,684	–	319,060	8,411	327,471
	222	62	–	–	2,954	137	3,091
	–	–	–	–	139	2	141
	12,495	38,437	68,996	61,411	395,968	11,541	407,509
	12,495	37,529	68,197	–	330,142	10,107	340,249
	12,434	35,740	77,927	–	339,253	11,781	351,034
	14,714	46,046	1,496	17,724	257,101	10,252	267,353
	14,739	49,093	684	18,117	260,925	10,842	271,767
	10,549	30,481	382,483	2,123	546,354	–	546,354
-							
	92	194	6	–	1,495	68	1,563
	51	64	41	–	1,220	8	1,228
	12	39	1	(103)	134	34	168
	155	**297**	**48**	**(103)**	**2,849**	**110**	**2,959**

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 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	374	154	45	528	47	294
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 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	1,302	73	–	1,375	–	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) Of which: 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**
	–	–	–	263	263	–	263
	26	45	12	124	576	3	579
	26	**45**	**12**	**387**	**839**	**3**	**842**
	136	**258**	**90**	**837**	**3,449**	**84**	**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	707	1,780	69	1,849
	14	43	13	244	612	23	635
	27	**82**	**25**	**463**	**1,168**	**46**	**1,214**
	–	–	–	2	2	–	2
	27	82	25	465	1,170	46	1,216
	–	–	–	(2)	(38)	–	(38)
	27	**82**	**25**	**463**	**1,132**	**46**	**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	–	–	2,599	46	2,645
	–	–	–	–	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 year ended December 31, 2022 (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	9,361	1,540	42	10,901	3	1,952
Interest expenses from externals	–	1,228	–	1,228	386	453
Interest revenues, net from externals	9,361	312	42	9,673	(383)	1,499
Interest revenues, net – inter-segment	(6,811)	1,879	(8)	(4,932)	555	359
Total interest revenues, net	**2,550**	**2,191**	**34**	**4,741**	**172**	**1,858**
Total non-interest financing revenues	–	–	–	–	–	–
Total commissions and other revenues	83	802	213	885	17	564
Total non-interest revenues	**83**	**802**	**213**	**885**	**17**	**564**
Total revenues	**2,633**	**2,993**	**247**	**5,626**	**189**	**2,422**
Expenses with respect to credit losses	99	97	8	196	–	113
Operating and other expenses to externals	988	2,448	65	3,436	19	1,270
Operating and other expenses – inter-segment	–	(4)	(1)	(4)	(1)	(9)
Total operating and other expenses	**988**	**2,444**	**64**	**3,432**	**18**	**1,261**
Pre-tax profit	1,546	452	175	1,998	171	1,048
Provision for taxes on profit	523	153	59	676	58	355
After-tax profit	**1,023**	**299**	**116**	**1,322**	**113**	**693**
Share of banking corporation in earnings of associated companies	–	–	–	–	–	–
Net profit before attribution to non-controlling interests	1,023	299	116	1,322	113	693
Net profit attributed to non-controlling interests	–	(110)	(6)	(110)	–	(10)
Net profit attributable to shareholders of the banking corporation	**1,023**	**189**	**110**	**1,212**	**113**	**683**
Average balance of assets	188,681	25,473	3,232	214,154	143	33,520
Of which: Investments in associated companies	–	–	–	–	–	–
Average balance of loans to the public	188,681	25,473	3,232	214,154	143	33,520
Balance of loans to the public at end of reported period	(3)196,717	27,559	4,622	224,276	154	35,147
Balance of non-accruing debts	1,329	55	–	1,384	–	822
Balance of debt in arrears 90 days or longer	–	44	–	44	–	69
Average balance of liabilities	–	125,472	3,232	125,472	23,325	54,974
Of which: Average balance of deposits from the public	–	122,240	–	122,240	23,325	54,974
Balance of deposits from the public at end of reported period	–	125,823	–	125,823	25,755	55,805
Average balance of risk assets(1)	108,389	23,125	4,204	131,514	66	30,550
Balance of risk assets at end of reported period(1)	116,855	21,520	4,123	138,375	58	33,036
Average balance of assets under management(2)	9,487	68,230	–	77,717	3,001	42,270
Breakdown of interest revenues, net:						
Margin from credit granting operations	2,358	1,011	34	3,369	1	1,311
Margin from activities of receiving deposits	–	1,164	–	1,164	167	480
Other	192	16	–	208	4	67
Total interest revenues, net	**2,550**	**2,191**	**34**	**4,741**	**172**	**1,858**

(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) Of which: Balance of residential mortgages to customers classified under the micro and small business segment, amounting to NIS 13,797 million.

						Operations overseas	Total
	Medium businesses	**Large businesses**	**Institutional investors**	**Financial management segment**	**Total activity in Israel**	**Total – operations overseas**	
–							
	573	1,093	46	1,075	15,643	552	16,195
	148	591	1,213	1,861	5,880	75	5,955
	425	502	(1,167)	(786)	9,763	477	10,240
	32	300	1,406	2,510	230	(230)	–
	457	**802**	**239**	**1,724**	**9,993**	**247**	**10,240**
	–	–	–	754	754	–	754
	99	190	49	844	2,648	26	2,674
	99	**190**	**49**	**1,598**	**3,402**	**26**	**3,428**
	556	**992**	**288**	**3,322**	**13,395**	**273**	**13,668**
	94	101	–	–	504	28	532
	264	381	199	527	6,096	77	6,173
	–	5	2	7	–	–	–
	264	**386**	**201**	**534**	**6,096**	**77**	**6,173**
	198	505	87	2,788	6,795	168	6,963
	67	171	29	943	2,299	57	2,356
	131	**334**	**58**	**1,845**	**4,496**	**111**	**4,607**
	–	–	–	5	5	–	5
	131	334	58	1,850	4,501	111	4,612
	–	–	–	(20)	(140)	–	(140)
	131	**334**	**58**	**1,830**	**4,361**	**111**	**4,472**
	11,526	27,131	1,925	107,471	395,870	17,650	413,520
	–	–	–	346	346	–	346
	11,526	27,131	1,925	–	288,399	5,293	293,692
	12,902	28,779	2,559	–	303,817	6,539	310,356
	197	163	–	–	2,566	11	2,577
	–	–	–	–	113	–	113
	14,044	37,382	65,945	58,708	379,850	5,917	385,767
	14,044	37,382	65,945	–	317,910	5,603	323,513
	13,570	39,636	75,938	–	336,527	7,987	344,514
	13,610	37,854	2,280	12,910	228,784	6,882	235,666
	14,098	43,490	2,343	12,652	244,052	8,199	252,251
	8,668	32,728	374,075	1,837	540,296	–	540,296
-							
	337	602	28	–	5,648	165	5,813
	97	141	197	–	2,246	12	2,258
	23	59	14	1,724	2,099	70	2,169
	457	**802**	**239**	**1,724**	**9,993**	**247**	**10,240**

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 customercharacteristics 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 customermay exceed the aforementioned criteria. Banking services and financial products, including commercial banking services as required, are provided to segment customers.

Private banking – The Retail Division is responsible for private banking. Segment customers are primarily individual customers with liquid assets (primarily short-term deposits and security investments) over NIS 1 million. Customers of this segment have high financial wealth, to whom the Bank offers access to unique products and services in capital market activity, advisory service and investment management.

Commercial banking – customers of this segment are private and public companies of medium size (middle market) and medium level of indebtedness, and are served by the Business Banking Division, primarily by the Business sector, which operates via four business centers located throughout Israel. As from 2019, new business customers with annual turnover from NIS 50 million to under NIS 250 million are assigned to the Business sector. Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

Business banking – the Major Corporations sector in the Corporate Division is responsible for the Business Banking segment, which is the focal point for handling the largest business customers. As from 2019, businesses with annual turnover above NIS 250 million are assigned to the Corporate Sector. This segment provides a range of banking and financial services to the largest companies in the economy, in an array of industries, at relatively high levels of indebtedness. Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

Financial management – operations in this segment include, inter alia, management of assets and liabilities, management of exposure to market risk, management of the nostro portfolio and liquidity management as well as trading room operations in the financial and capital markets. The Finance Division is responsible for this segment, except for investments in non-banking corporations, for which the Corporate Division is responsible.

The major products and guidelines for attribution of balances, revenues and expenses to customers in the system to operating segments in conformity with the management approach, are similar to products and guidelines according to the supervisory operating segment approach.

Note 12 – Operating Segments – continued

Operating segments in conformity with the management approach

For the nine months ended September 30, 2023 (unaudited)

Reported amounts (NIS in millions)

	House-holds - other	House-holds - mort-gages	Private banking	Small busi-nesses	Com-mercial banking	Business banking	Financial mana-gement	Total conso-lidated
Interest revenues, net:								
From externals	(614)	7,996	(123)	572	248	360	847	9,286
Inter-segment	3,911	(6,245)	185	1,025	123	1,255	(254)	–
Total interest revenues, net	**3,297**	**1,751**	**62**	**1,597**	**371**	**1,615**	**593**	**9,286**
Non-interest financing revenues	22	–	1	1	1	70	583	678
Commissions and other revenues	543	107	13	377	60	268	357	1,725
Total revenues	**3,862**	**1,858**	**76**	**1,975**	**432**	**1,953**	**1,533**	**11,689**
Expenses with respect to credit losses	218	222	(1)	316	72	333	8	1,168
Operating and other expenses	1,854	667	26	804	193	507	322	4,373
Pre-tax profit	1,790	969	51	855	167	1,113	1,203	6,148
Provision for taxes on profit	626	339	18	299	58	389	421	2,150
After-tax profit	**1,164**	**630**	**33**	**556**	**109**	**724**	**782**	**3,998**
Share in net profit of associated companies, after tax	–	–	–	–	–	–	1	1
Net profit:								
Before attribution to non-controlling interests	1,164	630	33	556	109	724	783	3,999
Attributable to non-controlling interests	(115)	–	–	(11)	–	–	(10)	(136)
Net profit attributable to shareholders of the Bank	**1,049**	**630**	**33**	**545**	**109**	**724**	**773**	**3,863**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)(1)	52.4%	7.6%	–	37.5%	13.1%	13.1%	–	20.3%
Average balance of loans to the public, net	35,245	189,370	280	22,451	9,466	56,332	2	313,146
Average balance of deposits from the public	155,680	–	5,585	48,022	13,255	100,292	14,228	337,062
Average balance of assets	37,643	190,704	370	22,757	9,597	75,023	98,707	434,801
Average balance of risk assets(2)	30,886	109,885	174	19,360	10,988	72,925	16,738	260,956

(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, 2022 (unaudited)

Reported amounts (NIS in millions)

	House-holds - other	House-holds - mort-gages	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 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:								
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 three months ended September 30, 2023 (unaudited)

	House-holds - other	House-holds - mort-gages	Private banking	Small busi-nesses	Com-mercial banking	Business banking	Financial mana-gement	Total conso-lidated
Interest revenues, net:								
From externals	(304)	2,575	(47)	174	73	71	417	2,959
Inter-segment	1,411	(1,994)	66	373	54	441	(351)	–
Total interest revenues, net	**1,107**	**581**	**19**	**547**	**127**	**512**	**66**	**2,959**
Non-interest financing revenues	6	–	1	–	1	24	309	341
Commissions and other revenues	175	32	3	136	19	89	114	568
Total revenues	**1,288**	**613**	**23**	**683**	**147**	**625**	**489**	**3,868**
Expenses with respect to credit losses	117	163	(1)	127	52	228	8	694
Operating and other expenses	612	199	12	274	62	154	102	1,415
Pre-tax profit	559	251	12	282	33	243	379	1,759
Provision for taxes on profit	198	89	4	100	12	86	135	624
After-tax profit	**361**	**162**	**8**	**182**	**21**	**157**	**244**	**1,135**
Share in net profit of associated companies, after tax	–	–	–	–	–	–	–	–
Net profit:								
Before attribution to non-controlling interests	361	162	8	182	21	157	244	1,135
Attributable to non-controlling interests	(30)	–	–	(4)	–	–	(3)	(37)
Net profit attributable to shareholders of the Bank	**331**	**162**	**8**	**178**	**21**	**157**	**241**	**1,098**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)[1]	49.2%	5.7%	–	36.0%	7.6%	8.1%	–	16.8%

(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, 2022 (unaudited)

	Households - other	Households - mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
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, 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 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	292	280	13	190	20	365	689	1,849
Provision for taxes on profit	100	96	4	65	7	125	238	635
After-tax profit	**192**	**184**	**9**	**125**	**13**	**240**	**451**	**1,214**
Share in net profit of associated companies, after tax	–	–	–	–	–	–	2	2
Net profit:								
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 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 year ended December 31, 2022 (audited)

Reported amounts (NIS in millions)

	House-holds - other	House-holds - mort-gages	Private banking	Small busi-nesses	Com-mercial banking	Business banking	Financial mana-gement	Total conso -lidated
Interest revenues, net:								
From externals	490	8,719	(58)	887	307	784	(889)	10,240
Inter-segment	2,194	(6,566)	119	578	78	876	2,721	–
Total interest revenues, net	**2,684**	**2,153**	**61**	**1,465**	**385**	**1,660**	**1,832**	**10,240**
Non-interest financing revenues	57	1	1	2	1	121	571	754
Commissions and other revenues	747	150	16	478	86	361	836	2,674
Total revenues	**3,488**	**2,304**	**78**	**1,945**	**472**	**2,142**	**3,239**	**13,668**
Expenses with respect to credit losses	100	94	1	109	93	135	–	532
Operating and other expenses	2,544	951	27	1,107	313	692	539	6,173
Pre-tax profit (loss)	844	1,259	50	729	66	1,315	2,700	6,963
Provision for taxes on profit	286	426	17	247	22	445	913	2,356
After-tax profit (loss)	**558**	**833**	**33**	**482**	**44**	**870**	**1,787**	**4,607**
Share in net profit of associated companies, after tax	–	–	–	–	–	–	5	5
Net profit (loss):								
Before attribution to non-controlling interests	558	833	33	482	44	870	1,792	4,612
Attributable to non-controlling interests	(110)	–	–	(10)	–	–	(20)	(140)
Net profit (loss) attributable to shareholders of the Bank	**448**	**833**	**33**	**472**	**44**	**870**	**1,772**	**4,472**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)[(1)]	17.6%	8.2%	–	25.7%	4.2%	14.5%	–	20.1%
Average balance of loans to the public, net	33,763	178,602	480	22,478	9,313	46,726	–	291,362
Average balance of deposits from the public	145,190	–	7,026	46,911	14,693	95,179	14,514	323,513
Average balance of assets	34,589	179,349	1,042	22,583	9,399	67,567	98,991	413,520
Average balance of risk assets[(2)]	30,188	101,626	133	18,671	10,585	59,487	14,976	235,666

(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

	For the three months ended September 30, 2023 (unaudited)					
	Provision for credit losses					
	Loans to the public					
	Com-mercial	Housing	Individual - other	Total	Banks, governments and bonds	Total
Balance of provision for credit losses at start of period	1,872	965	590	3,427	1	3,428
Expenses with respect to credit losses	395	172	119	686	8	694
Accounting write-offs[2]	(50)	–	(65)	(115)	–	(115)
Collection of debts written off for accounting purposes in previous years[2]	39	–	42	81	–	81
Net accounting write-offs	(11)	–	(23)	(34)	–	(34)
Balance of provision for credit losses at end of period	**2,256**	**1,137**	**686**	**4,079**	**9**	**4,088**
Of which: With respect to off balance sheet credit instruments	**172**	**5**	**21**	**198**	**–**	**198**
	For the three months ended September 30, 2022 (unaudited)					
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[2]	(58)	–	(63)	(121)	–	(121)
Collection of debts written off for accounting purposes in previous years[2]	29	–	52	81	–	81
Net accounting write-offs	(29)	–	(11)	(40)	–	(40)
Other[4]	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 nine months ended September 30, 2023 (unaudited)					
Balance of provision for credit losses at start of period	1,690	902	512	3,104	1	3,105
Expenses with respect to credit losses	663	235	262	1,160	8	1,168
Accounting write-offs[2]	(192)	–	(180)	(372)	–	(372)
Collection of debts written off for accounting purposes in previous years[2]	95	–	92	187	–	187
Net accounting write-offs	(97)	–	(88)	(185)	–	(185)
Balance of provision for credit losses at end of period	**2,256**	**1,137**	**686**	**4,079**	**9**	**4,088**
Of which: With respect to off balance sheet credit instruments	**172**	**5**	**21**	**198**	**–**	**198**
	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[3]	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[4]	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**

(1) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements, except for deposits with Bank of Israel.
(2) Accounting write-offs presented in the Note primarily consist of write-offs of a technical nature, due to passage of time of customers being in arrears, in conformity with US standards applicable to the Bank in this regard. Thus, for example, the balance of the provision for large non-accruing debts will typically be written off after two years. Debt measured on a group basis will be written off after 150 days in arrears. This means that the Bank's collection efforts may sometimes take longer when compared to the timing for write-off according to accounting rules. Consequently, relatively high balances of "accounting write-offs" and relatively high balances of "Recovery of debts written off in previous years" are presented.
(3) Including with respect to residential mortgages of insignificant amount.
(4) 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, 2023 (unaudited)					
	Loans to the public					
	Commercial	Housing	Individual - other	Total	Banks, governments and bonds	Total
Recorded debt balance						
reviewed on individual basis	81,917	–	69	81,986	31,807	113,793
reviewed on group basis	13,375	204,966	27,144	245,485	–	245,485
Total debts	**95,292**	**[2]204,966**	**27,213**	**327,471**	**31,807**	**359,278**
Provision for credit losses with respect to debts						
reviewed on individual basis	1,593	–	6	1,599	9	1,608
reviewed on group basis	491	1,132	659	2,282	–	2,282
Total provision for credit losses	**2,084**	**1,132**	**665**	**3,881**	**9**	**3,890**
	September 30, 2022 (unaudited)					
Recorded debt balance						
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						
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**
	As of December 31, 2022 (audited)					
Recorded debt balance						
reviewed on individual basis	73,817	–	407	74,224	30,560	104,784
reviewed on group basis	13,160	196,840	26,132	236,132	–	236,132
Total debts	**86,977**	**[2]196,840**	**26,539**	**310,356**	**30,560**	**340,916**
Provision for credit losses with respect to debts						
reviewed on individual basis	1,106	–	12	1,118	1	1,119
reviewed on group basis	385	897	484	1,766	–	1,766
Total provision for credit losses	**1,491**	**897**	**496**	**2,884**	**1**	**2,885**

(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 13,208 million (as of September 30, 2022: NIS 12,451 million and as of December 31, 2022: NIS 12,566 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, 2023 (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]	26,523	527	146	27,196	8	55
Construction and real estate – real estate operations	7,729	342	92	8,163	9	50
Financial services	9,654	4	20	9,678	4	22
Commercial – other	43,109	1,224	772	45,105	61	149
Total commercial	**87,015**	**2,097**	**1,030**	**90,142**	**82**	**276**
Private individuals – residential mortgages	202,999	–	1,841	204,840	–	1,323
Private individuals – other	26,953	186	71	27,210	57	124
Total loans to the public – activity in Israel	**316,967**	**2,283**	**2,942**	**322,192**	**139**	**1,723**
Borrower activity overseas						
Public – commercial						
Construction and real estate	2,473	–	137	2,610	–	–
Commercial – other	2,439	89	12	2,540	2	31
Total commercial	**4,912**	**89**	**149**	**5,150**	**2**	**31**
Private individuals	129	–	–	129	–	–
Total loans to the public – activity overseas	**5,041**	**89**	**149**	**5,279**	**2**	**31**
Total loans to the public	**322,008**	**2,372**	**3,091**	**327,471**	**141**	**1,754**

(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 185 million were classified as problematic debts.
(4) Includes debts amounting to NIS 1,388 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, 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[5]	192,314	–	1,302	193,616	–	857
Private individuals – other	25,785	148	73	26,006	35	120
Total loans to the public – activity in Israel	**298,986**	**999**	**2,599**	**302,584**	**103**	**1,202**
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	**303,235**	**1,028**	**2,645**	**306,908**	**103**	**1,233**

(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.
(5) Reclassified.

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, 2022 (audited)					
		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]	25,416	343	159	25,918	20	54
Construction and real estate – real estate operations	7,091	58	99	7,248	2	13
Financial services	9,224	2	20	9,246	–	2
Commercial – other	38,022	774	904	39,700	47	118
Total commercial	**79,753**	**1,177**	**1,182**	**82,112**	**69**	**187**
Private individuals – residential mortgages	195,374	–	1,329	196,703	–	1,054
Private individuals – other	26,313	167	55	26,535	44	103
Total public – activity in Israel	**301,440**	**1,344**	**2,566**	**305,350**	**113**	**1,344**
Borrower activity overseas						
Public – commercial						
Construction and real estate	2,616	–	–	2,616	–	–
Commercial – other	2,210	28	11	2,249	–	–
Total commercial	**4,826**	**28**	**11**	**4,865**	**–**	**–**
Private individuals	141	–	–	141	–	–
Total public – activity overseas	**4,967**	**28**	**11**	**5,006**	**–**	**–**
Total public	**306,407**	**1,372**	**2,577**	**310,356**	**113**	**1,344**

(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 105 million were classified as problematic debts.
(4) Includes debts amounting to NIS 1,352 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.B. Credit quality by year when credit was extended

	As of September 30, 2023 (unaudited)								
	Recorded debt balance of term loans to the public								
	2023	2022	2021	2020	2019	Previously	Recorded debt balance of renewable loans	Recorded debt balance of renewable loans converted into term loans	Total
Credit quality by year when credit was extended									
Borrower activity in Israel									
Public – commercial									
Construction and real estate – total	**15,192**	**10,716**	**4,023**	**1,158**	**598**	**543**	**2,181**	**948**	**35,359**
Credit at performing credit rating	14,266	10,328	3,801	1,098	581	487	1,844	701	33,106
Credit other than at performing credit rating and non-problematic	610	146	166	14	1	37	49	123	1,146
Accruing problematic credit	279	186	31	13	7	4	226	123	869
Non-accruing credit	37	56	25	33	9	15	62	1	238
Commercial, other – total	**11,087**	**8,688**	**5,438**	**4,208**	**1,323**	**1,978**	**21,741**	**320**	**54,783**
Credit at performing credit rating	10,464	7,771	4,693	3,880	1,248	1,838	20,357	286	50,537
Credit other than at performing credit rating and non-problematic	307	504	500	83	15	23	776	18	2,226
Accruing problematic credit	134	192	136	109	16	28	608	5	1,228
Non-accruing credit	182	221	109	136	44	89	–	11	792
Individuals – residential mortgages – total	**16,566**	**36,716**	**33,559**	**21,780**	**18,222**	**77,997**	**–**	**–**	**204,840**
LTV up to 60%	9,801	19,828	17,926	12,057	10,897	53,414	–	–	123,923
LTV from 60% to 75%	6,396	16,013	14,685	9,145	7,234	24,091	–	–	77,564
LTV over 75%	369	875	948	578	91	492	–	–	3,353
Credit at performing credit rating, not in arrears	16,294	36,110	32,889	21,190	17,643	75,526	–	–	199,652
Credit not at performing credit rating, not in arrears	234	364	300	195	198	733	–	–	2,024
In arrears 30-89 days	23	125	177	162	147	689	–	–	1,323
Non-accruing credit	15	117	193	233	234	1,049	–	–	1,841
Individuals, other – total	**6,764**	**6,458**	**2,950**	**1,409**	**1,144**	**1,478**	**6,931**	**76**	**27,210**
Credit at performing credit rating, not in arrears	6,654	6,297	2,874	1,373	1,112	1,426	6,831	71	26,638
Credit not at performing credit rating, not in arrears	63	77	43	26	26	46	35	3	319
In arrears 30-89 days	20	47	12	4	3	4	34	–	124
In arrears over 90 days	6	21	8	2	2	1	18	–	58
Non-accruing credit	21	16	13	4	1	1	13	2	71
Total loans to the public – activity in Israel	**49,609**	**62,578**	**45,970**	**28,555**	**21,287**	**81,996**	**30,853**	**1,344**	**322,192**
Borrower activity overseas									
Total loans to the public – activity overseas	**968**	**1,267**	**1,265**	**677**	**135**	**967**	**–**	**–**	**5,279**
Non-problematic credit	964	1,155	1,193	629	133	967	–	–	5,041
Accruing problematic credit	4	58	18	9	–	–	–	–	89
Non-accruing credit	–	54	54	39	2	–	–	–	149
Total loans to the public	**50,577**	**63,845**	**47,235**	**29,232**	**21,422**	**82,963**	**30,853**	**1,344**	**327,471**

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

1.B. Credit quality by year when credit was extended – continued

	As of September 30, 2022 (unaudited)								
	Recorded debt balance of term loans to the public								
	2022	2021	2020	2019	2018	Previously	Recorded debt balance of renewable loans	Recorded debt balance of renewable loans converted into term loans	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	**29,300**	**27,806**	**23,992**	**18,135**	**20,476**	**73,898**	**9**	**–**	**193,616**
LTV up to 60%	14,159	15,462	13,371	12,121	12,639	52,490	–	–	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	25	138	102	98	107	387	–	–	857
Non-accruing credit	10	92	151	202	198	649	–	–	1,302
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	**65,972**	**48,198**	**34,670**	**23,178**	**23,797**	**77,902**	**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	**67,545**	**48,861**	**35,442**	**23,731**	**24,176**	**78,286**	**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, 2023 (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	238	40	–	238	414	6
Commercial – other	576	229	216	792	1,086	10
Total commercial	**814**	**269**	**216**	**1,030**	**1,500**	**16**
Private individuals – residential mortgages	1,841	92	–	1,841	1,932	–
Private individuals – other	71	53	–	71	112	4
Total loans to the public – activity in Israel	**2,726**	**414**	**216**	**2,942**	**3,544**	**20**
Borrower activity overseas						
Total loans to the public – activity overseas	**149**	**9**	**–**	**149**	**222**	**–**
Total	**2,875**	**423**	**216**	**3,091**	**3,766**	**20**
Of which:						
Measured individually at present value of cash flows	659	251	202	861	1,312	
Measured individually at fair value of collateral	267	16	14	281	333	
Measured on group basis	1,949	156	–	1,949	2,121	

(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 119 million.

Total average recorded debt balance for non-accruing debt in the nine months ended September 30, 2023 amounted to NIS 2,786 million.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts[(1)] – Continued

	As of 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[(4)]	1,302	65	–	1,302	1,683	–
Private individuals – other	68	45	5	73	136	3
Total loans to the public – activity in Israel	**2,553**	**386**	**46**	**2,599**	**3,617**	**30**
Borrower activity overseas						
Total loans to the public – activity overseas	**46**	**20**	**–**	**46**	**112**	**–**
Total	**2,599**	**406**	**46**	**2,645**	**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	1,379	114	5	1,384	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.
(4) Reclassified.

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] – Continued

	As of December 31, 2022 (audited)					
	Balance of non-accruing debts for which a provision has been recognized[1][2]	Provision balance	Balance of non-accruing debts for which a provision has not been recognized[1]	Total balance of non-accruing debts[1]	Contractual principal balance of non-accruing debts	Interest revenues recognized[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate	257	36	1	258	435	23
Commercial – other	907	162	17	924	1,196	11
Total commercial	**1,164**	**198**	**18**	**1,182**	**1,631**	**34**
Private individuals – residential mortgages	1,329	67	–	1,329	1,448	–
Private individuals – other	51	42	4	55	75	5
Total loans to the public – activity in Israel	**2,544**	**307**	**22**	**2,566**	**3,154**	**39**
Borrower activity overseas						
Total loans to the public – activity overseas	**11**	**1**	**–**	**11**	**67**	**–**
Total	**2,555**	**308**	**22**	**2,577**	**3,221**	**39**
Of which:						
Measured individually at present value of cash flows	1,077	191	9	1,086	1,601	
Measured individually at fair value of collateral	74	6	9	83	127	
Measured on group basis	1,404	111	4	1,408	1,493	

(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 134 million.

Total average recorded debt balance for non-accruing debt in the year ended December 31, 2022 amounted to NIS 2,697 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, 2023 (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	25	–	–	1	26
Commercial – other	112	–	–	17	129
Total commercial	**137**	**–**	**–**	**18**	**155**
Private individuals – residential mortgages	45	–	–	–	45
Private individuals – other	36	–	–	23	59
Total loans to the public – activity in Israel	**218**	**–**	**–**	**41**	**259**
Borrower activity overseas					
Total loans to the public – activity overseas	**–**	**–**	**–**	**–**	**–**
Total	**218**	**–**	**–**	**41**	**259**

	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]	39	–	–	–	39
Private individuals – other	38	–	1	26	65
Total loans to the public – activity in Israel	**265**	**–**	**1**	**44**	**310**
Borrower activity overseas					
Total loans to the public – activity overseas	**–**	**–**	**–**	**–**	**–**
Total	**265**	**–**	**1**	**44**	**310**

(1) Accruing interest revenues.
(2) Reclassified.

As of September 30, 2023, debt subject to re-structuring of problematic debt, amounting to NIS 254 million, was classified as problematic debt. As of September 30, 2022 – debt amounting to NIS 294 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

	As of December 31, 2022 (audited)				
	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	40	–	–	1	41
Commercial – other	133	–	–	17	150
Total commercial	**173**	**–**	**–**	**18**	**191**
Private individuals – residential mortgages	41	–	–	–	41
Private individuals – other	34	–	–	24	58
Total loans to the public – activity in Israel	**248**	**–**	**–**	**42**	**290**
Borrower activity overseas					
Total loans to the public – activity overseas	**–**	**–**	**–**	**–**	**–**
Total	**248**	**–**	**–**	**42**	**290**

(1) Accruing interest revenues.

As of December 31, 2022, debt subject to re-structuring of problematic debt, amounting to NIS 275 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, 2023 (unaudited)			September 30, 2022 (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	22	2	2	18	6	6
Commercial – other	93	9	10	77	11	12
Total commercial	**115**	**11**	**12**	**95**	**17**	**18**
Private individuals – residential mortgages[(1)]	6	2	2	5	1	1
Private individuals – other	209	8	9	254	11	10
Total loans to the public – activity in Israel	**330**	**21**	**23**	**354**	**29**	**29**
Borrower activity overseas						
Total loans to the public – activity overseas	**–**	**–**	**–**	**–**	**–**	**–**
Total	**330**	**21**	**23**	**354**	**29**	**29**

	For the nine months ended					
	September 30, 2023 (unaudited)			September 30, 2022 (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	45	4	4	49	13	13
Commercial – other	337	46	46	230	80	79
Total commercial	**382**	**50**	**50**	**279**	**93**	**92**
Private individuals – residential mortgages[(1)]	25	5	4	21	4	4
Private individuals – other	677	27	28	784	32	31
Total loans to the public – activity in Israel	**1,084**	**82**	**82**	**1,084**	**129**	**127**
Borrower activity overseas						
Total loans to the public – activity overseas	**–**	**–**	**–**	**–**	**–**	**–**
Total	**1,084**	**82**	**82**	**1,084**	**129**	**127**

(1) Reclassified.

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, 2023 (unaudited)		September 30, 2022 (unaudited)	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate	–	–	4	–
Commercial – other	11	–	23	1
Total commercial	**11**		**27**	**1**
Private individuals – residential mortgages[2]	5	1	3	1
Private individuals – other	17	–	121	2
Total public – activity in Israel	**33**	**1**	**151**	**4**
Borrower activity overseas				
Total public – activity overseas	**–**	**–**	**–**	**–**
Total	**33**	**1**	**151**	**4**
	For the nine months ended			
	September 30, 2023 (unaudited)		September 30, 2022 (unaudited)	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate	5	–	16	–
Commercial – other	44	3	74	6
Total commercial	**49**	**3**	**90**	**6**
Private individuals – residential mortgages[2]	14	2	10	2
Private individuals – other	126	1	308	6
Total loans to the public – activity in Israel	**189**	**6**	**408**	**14**
Borrower activity overseas				
Total loans to the public – activity overseas	**–**	**–**	**–**	**–**
Total	**189**	**6**	**408**	**14**

(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.

(2) Reclassified.

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, 2023 (unaudited)							
Commercial	600	133	208	219	9	3	7	1,179
Residential mortgages	318	758	463	212	37	17	36	1,841
Private individuals – other	46	7	4	9	3	–	2	71
Total	**964**	**898**	**675**	**440**	**49**	**20**	**45**	**3,091**
	As of September 30, 2022 (unaudited)							
Commercial	727	127	148	181	50	29	8	1,270
Residential mortgages(1)	288	455	315	161	41	11	31	1,302
Private individuals – other	39	5	15	9	4	1	–	73
Total	**1,054**	**587**	**478**	**351**	**95**	**41**	**39**	**2,645**
	As of December 31, 2022 (audited)							
Commercial	685	99	173	153	52	20	11	1,193
Residential mortgages	240	441	403	173	31	13	28	1,329
Private individuals – other	34	6	3	8	2	–	2	55
Total	**959**	**546**	**579**	**334**	**85**	**33**	**41**	**2,577**

(1) Reclassified.

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

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, 2023 (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%	123,659	4,141	75,672	2,755
	Over 60%	80,825	1,137	50,121	2,574
Junior lien or no lien		482	5	313	5,139
Total		**204,966**	**5,283**	**126,106**	**10,468**

		September 30, 2022 (unaudited)			
		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**

		As of December 31, 2022 (audited)			
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	122,818	3,510	77,040	3,012
	Over 60%	73,537	836	46,908	3,009
Junior lien or no lien		485	3	327	5,401
Total		**196,840**	**4,349**	**124,275**	**11,422**

(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					Credit risk to the public purchased[1]		
	Loans to the public sold in the period	Off-balance sheet credit risk[2] sold in the period	Of which: Problematic credit	Total gain (loss) with respect to credit sold	Balance of sold loans at end of period, which is serviced by the banking corporation	Loans to the public purchased[3] in the period	Off-balance sheet credit risk[2] purchased in the period	Of which: Problematic credit
For the three months ended September 30, 2023 (unaudited)								
Commercial – other	–	–	–	–	–	24	–	–
Private individuals – residential mortgages	–	–	–	–	5,239	–	–	–
Private individuals – other	–	–	–	–	–	526	–	–
Total credit risk to public	**–**	**–**	**–**	**–**	**5,239**	**550**	**–**	**–**
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 nine months ended September 30, 2023 (unaudited)								
Commercial – other	25	–	–	–	–	24	–	–
Private individuals – residential mortgages	–	–	–	–	5,239	–	–	–
Private individuals – other	–	–	–	–	–	2,059	–	–
Total credit risk to public	**25**	**–**	**–**	**–**	**5,239**	**2,083**	**–**	**–**
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 year ended December 31, 2022 (audited)								
Commercial – other	3	50	–	–	–	191	–	–
Private individuals – residential mortgages	1,899	–	–	–	5,720	–	–	–
Private individuals – other	1	–	–	8	–	2,115	–	–
Total credit risk to public	**1,903**	**50**	**–**	**8**	**5,720**	**2,306**	**–**	**–**

(1) Excluding short-term factoring transactions.
(2) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of borrower indebtedness, except for derivatives.
(3) Of which: Loans at 10% which are seller-guaranteed loans (for credit risk).

Note 13 – Additional information about credit risk, loans to the public and provision for credit losses – continued

Reported amounts (NIS in millions)

C. Sale, purchase and syndication of loans to the public during the year – Continued

2. Syndications and participation in loan syndications

	September 30, 2023					
	Syndication transactions initiated by the banking corporation				Syndication transactions initiated by others(2)	
	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)
						Unaudited
Construction and real estate	1,427	1	1,603	–	613	90
Commercial – other	3,480	2,482	7,760	2,799	2,539	1,186
Total credit risk to public	**4,907**	**2,483**	**9,363**	**2,799**	**3,152**	**1,276**

	September 30, 2022					
	Syndication transactions initiated by the banking corporation				Syndication transactions initiated by others(2)	
	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)
						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**

	December 31, 2022(3)					
	Syndication transactions initiated by the banking corporation				Syndication transactions initiated by others(2)	
	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)
						Audited
Construction and real estate	1,635	1	1,884	–	572	108
Commercial – other	2,757	2,534	6,889	2,671	2,086	553
Total credit risk to public	**4,392**	**2,535**	**8,773**	**2,671**	**2,658**	**661**

(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 620 million as of September 30, 2023 (as of September 30, 2022: NIS 306 million; as of December 31, 2022: NIS 274 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
	2023	2022	2022	2023	2022	2022
			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	24,561	20,480	21,772	35	31	23
– Guarantees to home buyers	15,303	19,938	19,069	4	13	10
– Irrevocable commitments for loans approved but not yet granted[3]	23,393	24,677	21,029	23	16	35
– Unutilized revolving credit card facilities	12,088	11,384	11,730	13	10	11
– Commitments to issue guarantees	11,459	8,159	8,122	1	1	2
– Guarantees and other liabilities[2]	13,242	12,441	12,881	83	79	101
– Loan guarantees	3,521	3,332	3,531	37	33	36
– Documentary credit	294	786	315	2	3	2

(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 28 million. (On September 30, 2022 and in December 31, 2022: NIS 66 million and NIS 70 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, 2023 (unaudited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]				
	Non-linked	CPI-linked	USD	EUR	Other currencies	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	63,485	72	17,573	393	122	–	81,645
Securities	9,866	3,897	4,185	436	–	623	19,007
Securities borrowed or bought in conjunction with resale agreements	24	–	–	–	–	–	24
Loans to the public, net[3]	225,219	80,906	10,353	4,458	2,654	–	323,590
Loans to Governments	6	–	279	382	–	–	667
Investments in associated companies	36	–	–	–	–	205	241
Buildings and equipment	–	–	–	–	–	1,447	1,447
Intangible assets and goodwill	–	–	–	–	–	155	155
Assets with respect to derivatives	1,985	126	4,585	603	20	–	7,319
Other assets	2,671	244	462	14	27	776	4,194
Total assets	**303,292**	**85,245**	**37,437**	**6,286**	**2,823**	**3,206**	**438,289**
Liabilities							
Deposits from the public	258,473	24,510	59,000	6,294	2,757	–	351,034
Deposits from banks	3,240	–	1,556	205	7	–	5,008
Deposits from the Government	6	2	14	2	–	–	24
Bonds and subordinated notes	6,262	28,064	2,329	–	–	–	36,655
Liabilities with respect to derivatives	1,945	139	3,558	434	19	–	6,095
Other liabilities	8,023	2,720	345	2	30	681	11,801
Total liabilities	**277,949**	**55,435**	**66,802**	**6,937**	**2,813**	**681**	**410,617**
Difference	**25,343**	**29,810**	**(29,365)**	**(651)**	**10**	**2,525**	**27,672**
Impact of hedging derivatives:							
Derivative instruments (other than options)	1,055	(1,055)	–	–	–	–	–
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(27,902)	(487)	28,224	317	(152)	–	–
Net in-the-money options (in terms of underlying asset)	(1,079)	–	874	169	36	–	–
Net out-of-the-money options (in terms of underlying asset)	(6)	–	(48)	53	1	–	–
Grand total	**(2,589)**	**28,268**	**(315)**	**(112)**	**(105)**	**2,525**	**27,672**
Net in-the-money options (capitalized par value)	(1,469)	–	1,489	(20)	–	–	–
Net out-of-the-money options (capitalized par value)	1,832	–	(2,147)	231	84	–	–

(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, 2022 (unaudited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency(1)				
	Non-linked	CPI-linked	USD	EUR	Other currencies	Non-monetary items(2)	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	**(662)**	**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 December 31, 2022 (audited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]				
	Non-linked	**CPI-linked**	**USD**	**EUR**	**Other currencies**	**Non-monetary items[2]**	**Total**
Assets							
Cash and deposits with banks	75,216	–	17,624	490	343	–	93,673
Securities	6,645	2,498	4,935	414	–	652	15,144
Securities borrowed or bought in conjunction with resale agreements	269	46	–	–	–	–	315
Loans to the public, net[3]	215,424	76,228	8,733	4,687	2,400	–	307,472
Loans to Governments	7	–	198	113	–	–	318
Investments in associated companies	35	–	–	–	–	92	127
Buildings and equipment	–	–	–	–	–	1,503	1,503
Intangible assets and goodwill	–	–	–	–	–	178	178
Assets with respect to derivatives	1,595	115	3,025	825	229	–	5,789
Other assets	2,307	255	301	8	30	872	3,773
Total assets	**301,498**	**79,142**	**34,816**	**6,537**	**3,002**	**3,297**	**428,292**
Liabilities							
Deposits from the public	260,411	21,767	53,475	5,916	2,945	–	344,514
Deposits from banks	5,050	–	1,454	176	314	–	6,994
Deposits from the Government	31	2	14	–	–	–	47
Bonds and subordinated notes	5,442	25,718	2,127	–	–	–	33,287
Liabilities with respect to derivatives	1,638	164	2,642	590	180	–	5,214
Other liabilities	9,237	2,852	228	1	66	984	13,368
Total liabilities	**281,809**	**50,503**	**59,940**	**6,683**	**3,505**	**984**	**403,424**
Difference	**19,689**	**28,639**	**(25,124)**	**(146)**	**(503)**	**2,313**	**24,868**
Impact of hedging derivatives:							
Derivative instruments (other than options)	1,264	(1,264)	–	–	–	–	–
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(24,013)	(594)	24,129	(54)	532	–	–
Net in-the-money options (in terms of underlying asset)	(1,183)	–	1,115	122	(54)	–	–
Net out-of-the-money options (in terms of underlying asset)	(36)	–	41	40	(45)	–	–
Grand total	**(4,279)**	**26,781**	**161**	**(38)**	**(70)**	**2,313**	**24,868**
Net in-the-money options (capitalized par value)	(1,856)	–	1,825	20	11	–	–
Net out-of-the-money options (capitalized par value)	1,853	–	(1,756)	(79)	(18)	–	–

(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, 2023 (unaudited)				
					Fair value
	Book balance	Level 1(1)	Level 2(1)	Level 3(1)	Total
Financial assets					
Cash and deposits with banks	81,645	26,036	52,983	2,568	81,587
Securities(3)	19,007	14,237	4,261	328	18,826
Securities borrowed or purchased in resale agreements	24	24	–	–	24
Loans to the public, net	323,590	2,590	9,646	(5)302,514	314,750
Loans to Governments	667	–	–	662	662
Investments in associated companies	241	–	–	241	241
Assets with respect to derivatives	7,319	898	5,657	(2)764	7,319
Other financial assets	1,125	7	–	1,118	1,125
Total financial assets	**(4)433,618**	**43,792**	**72,547**	**308,195**	**424,534**
Financial liabilities					
Deposits from the public	351,034	7,437	87,853	(5)253,028	348,318
Deposits from banks	5,008	–	853	4,141	4,994
Deposits from the Government	24	–	–	22	22
Bonds and subordinated notes	36,655	31,792	–	2,688	34,480
Liabilities with respect to derivatives	6,095	901	4,067	(2)1,127	6,095
Other financial liabilities	7,620	1,578	2,041	3,994	7,613
Total financial liabilities	**(4)406,436**	**41,708**	**94,814**	**265,000**	**401,522**

(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 101,533 million and NIS 108,984 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 and in deposits from the public, amounting to NIS 11 million and NIS 1 million, respectively.

Note 15 – Balances and estimates of fair value of financial instruments – continued

Reported amounts (NIS in millions)

A. Fair value balances – continued:

	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:

	As of December 31, 2022 (audited)				
					Fair value
	Book balance	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
Financial assets					
Cash and deposits with banks	93,673	24,826	64,637	4,206	93,669
Securities[(3)]	15,144	10,607	4,018	367	14,992
Securities borrowed or purchased in resale agreements	315	315	–	–	315
Loans to the public, net	307,472	1,917	8,619	[(5)]289,942	300,478
Loans to Governments	318	–	–	315	315
Investments in associated companies	127	–	–	127	127
Assets with respect to derivatives	5,789	640	4,742	[(2)]407	5,789
Other financial assets	772	7	–	577	584
Total financial assets	**[(4)]423,610**	**38,312**	**82,016**	**295,941**	**416,269**
Financial liabilities					
Deposits from the public	344,514	2,657	110,551	[(5)]228,119	341,327
Deposits from banks	6,994	–	298	6,675	6,973
Deposits from the Government	47	–	–	45	45
Bonds and subordinated notes	33,287	28,794	–	2,676	31,470
Liabilities with respect to derivatives	5,214	625	4,148	[(2)]441	5,214
Other financial liabilities	8,641	1,145	1,982	5,324	8,451
Total financial liabilities	**[(4)]398,697**	**33,221**	**116,979**	**243,280**	**393,480**

(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 102,730 million and NIS 129,830 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 and in deposits from the public, amounting to NIS 9 million and NIS 7 million, respectively.

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, 2023 (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	3,729	3,365	–	7,094
Of foreign governments	288	–	–	288
Of banks and financial institutions in Israel	389	47	–	436
Of banks and financial institutions overseas	11	256	–	267
Asset-backed (ABS)	–	59	–	59
Of others in Israel	847	99	2	948
Of others overseas	192	6	1	199
Shares not held for trading	229	57	25	311
Securities held for trading:				
Bonds of the Government of Israel	5,241	–	–	5,241
Bonds of overseas governments	–	369	–	369
Bonds of financial institutions in Israel	3	–	–	3
Bonds of others in Israel	23	–	–	23
Bonds of foreign others	32	3	–	35
Shares held for trading	16	–	–	16
Securities borrowed or purchased in resale agreements	24	–	–	24
Credit with respect to loans to customers	2,590	–	–	2,590
Assets with respect to derivatives[(1)]				
Interest contracts:				
NIS / CPI	–	36	92	128
Other	–	2,571	66	2,637
Currency contracts	40	3,033	594	3,667
Contracts for shares	848	17	12	877
Commodities and other contracts	10	–	–	10
Other financial assets	7	–	–	7
Other	–	–	11	11
Total assets	**14,519**	**9,918**	**803**	**25,240**
Liabilities				
Deposits with respect to borrowing from customers	7,437	–	–	7,437
Securities borrowed or purchased in resale agreements	–	–	–	–
Liabilities with respect to derivatives[(1)]				
Interest contracts:				
NIS / CPI	–	82	57	139
Other	–	1,746	148	1,894
Currency contracts	43	2,209	922	3,174
Contracts for shares	848	28	–	876
Commodities and other contracts	10	2	–	12
Other financial liabilities	1,578	–	–	1,578
Other	–	–	1	1
Total liabilities	**9,916**	**4,067**	**1,128**	**15,111**

(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, 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
Investments in 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 derivatives(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

	As of December 31, 2022 (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	1,593	3,356	–	4,949
Of foreign governments	1,330	–	–	1,330
Of banks and financial institutions in Israel	374	9	–	383
Of banks and financial institutions overseas	10	252	–	262
Asset-backed (ABS)	–	55	–	55
Of others in Israel	680	147	11	838
Of others overseas	205	9	3	217
Shares not held for trading	220	63	23	306
Securities held for trading:				
Bonds of the Government of Israel	2,749	–	–	2,749
Bonds of overseas governments	–	127	–	127
Bonds of financial institutions in Israel	1	–	–	1
Bonds of others in Israel	25	–	–	25
Bonds of foreign others	42	–	–	42
Shares held for trading	20	–	–	20
Securities borrowed or purchased in resale agreements	315	–	–	315
Credit with respect to loans to customers	1,917	–	–	1,917
Assets with respect to derivatives[(1)]				
Interest contracts:				
NIS / CPI	–	60	56	116
Other	–	1,998	3	2,001
Currency contracts	59	2,632	307	2,998
Contracts for shares	577	52	39	668
Commodities and other contracts	4	–	2	6
Other financial assets	7	–	–	7
Other	–	–	9	9
Total assets	**10,128**	**8,760**	**453**	**19,341**
Liabilities				
Deposits with respect to borrowing from customers	2,657	–	–	2,657
Liabilities with respect to derivatives[(1)]				
Interest contracts:				
NIS / CPI	–	103	61	164
Other	–	1,539	64	1,603
Currency contracts	45	2,430	233	2,708
Contracts for shares	576	66	83	725
Commodities and other contracts	4	10	–	14
Other financial liabilities	1,145	–	–	1,145
Other	–	–	7	7
Total liabilities	**4,427**	**4,148**	**448**	**9,023**

(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, 2023 (unaudited)				For the three months ended September 30, 2023	For the nine months ended September 30, 2023
	Fair value					
	Level 1(1)	Level 2(1)	Level 3(1)	Total	Gains (losses)	
Non-accruing credit whose collection is contingent on collateral	–	–	285	285	(5)	(43)
Investments in shares for which no fair value is available	–	–	295	295	3	22

	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)	
Non-accruing 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

	As of December 31, 2022 (audited)				For the year ended December 31, 2022
	Fair value				
	Level 1(1)	Level 2(1)	Level 3(1)	Total	Gains (losses)
Non-accruing credit whose collection is contingent on collateral	–	–	83	83	(8)
Investments in shares for which no fair value is available	–	–	326	326	32

(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, 2023 (unaudited)									
		Net realized / unrealized gains (losses) included[(1)]								
	Fair value as of June 30, 2023	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, 2023	Unrealized gain (loss) with respect to instruments held as of September 30, 2023
Assets										
Securities available for sale										
Bonds:										
Of foreign financial institutions	–	–	–	–	–	–	–	–	–	–
Of financial institutions in Israel	–	–	–	–	–	–	–	–	–	–
Of others in Israel	2	–	–	–	–	–	–	–	2	–
Of others overseas	1	–	–	–	–	(1)	1	–	1	–
Securities held for trading										
Of others in Israel	–	–	–	–	–	–	–	–	–	–
Shares not held for trading	25	–	–	–	–	–	–	–	25	–
Assets with respect to derivatives[(2)]										
Interest contracts:										
NIS / CPI	58	(1)	–	3	–	(1)	33	–	92	21
Other	3	2	–	61	–	–	–	–	66	53
Currency contracts	461	161	–	206	–	(234)	–	–	594	120
Contracts for shares	2	(1)	–	12	–	(1)	–	–	12	–
Commodities and other contracts	–	–	–	–	–	–	–	–	–	–
Other	10	1	–	–	–	–	–	–	11	–
Total assets	**562**	**162**	**–**	**282**	**–**	**(237)**	**34**	**–**	**803**	**194**
Liabilities										
Liabilities with respect to derivatives[(2)]										
Interest contracts:										
NIS / CPI	61	1	–	2	–	(33)	26	–	57	(25)
Other	70	17	–	67	–	(6)	–	–	148	(13)
Currency contracts	438	504	–	273	–	(293)	–	–	922	(383)
Contracts for shares	2	(1)	–	–	–	(1)	–	–	–	–
Commodities and other contracts	–	–	–	–	–	–	–	–	–	–
Other	5	(4)	–	–	–	–	–	–	1	–
Total liabilities	**576**	**517**	**–**	**342**	**–**	**(333)**	**26**	**–**	**1,128**	**(421)**

(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 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	Transfers 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 derivatives[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	–
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 – Continued:

	For the nine months ended September 30, 2023 (unaudited)									
		Net realized / unrealized gains (losses) included[1]								
	Fair value as of December 31, 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, 2023	Unrealized gain (loss) with respect to instruments held as of September 30, 2023
Assets										
Securities available for sale										
Bonds:										
Of others in Israel	11	8	(6)	–	–	(11)	–	–	2	–
Of others overseas	3	–	–	–	–	(3)	1	–	1	–
Shares not held for trading	23	2	–	–	–	–	–	–	25	2
Assets with respect to derivatives[2]										
Interest contracts:										
NIS / CPI	56	13	–	5	–	(21)	39	–	92	54
Other	3	4	–	61	–	(2)	–	–	66	48
Currency contracts	307	353	–	539	–	(605)	–	–	594	417
Contracts for shares	39	(10)	–	15	–	(32)	–	–	12	–
Commodities and other contracts	2	(2)	–	–	–	–	–	–	–	–
Other	9	2	–	–	–	–	–	–	11	–
Total assets	**453**	**370**	**(6)**	**620**	**–**	**(674)**	**40**	**–**	**803**	**521**
Liabilities										
Liabilities with respect to derivatives[2]										
Interest contracts:										
NIS / CPI	61	20	–	4	–	(72)	44	–	57	(27)
Other	64	23	–	67	–	(6)	–	–	148	(75)
Currency contracts	233	726	–	750	–	(787)	–	–	922	(712)
Contracts for shares	83	(5)	–	6	–	(84)	–	–	–	–
Other	7	(6)	–	–	–	–	–	–	1	–
Total liabilities	**448**	**758**	**–**	**827**	**–**	**(949)**	**44**	**–**	**1,128**	**(814)**

(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 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										
Bonds:										
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 derivatives(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)

C. Change in items measured at fair value on recurrent basis, included in level 3 – Continued:

	For the year ended December 31, 2022 (audited)									
		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 December 31, 2022	Unrealized gains (losses) with respect to instruments held as of December 31, 2022
Assets										
Securities available for sale										
Bonds:										
Of foreign financial institutions	26	3	–	–	(3)	–	–	(26)	–	–
Of others in Israel	19	4	–	–	–	(4)	–	(8)	11	3
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	9	–	9	–	(19)	18	–	56	23
Other	78	(109)	–	37	–	(3)	–	–	3	2
Currency contracts	718	116	–	1,952	–	(2,475)	(1)	(3)	307	162
Contracts for shares	423	52	–	35	–	(471)	–	–	39	–
Commodities and other contracts	2	–	–	–	–	–	–	–	2	–
Other	7	3	–	–	–	–	(1)	–	9	–
Total assets	**1,339**	**80**	**–**	**2,039**	**(3)**	**(2,981)**	**16**	**(37)**	**453**	**188**
Liabilities										
Liabilities with respect to derivatives[(2)]										
Interest contracts:										
NIS / CPI	46	30	–	5	–	(54)	34	–	61	(2)
Other	117	(58)	–	7	–	(2)	–	–	64	(66)
Currency contracts	665	517	–	1,151	–	(2,100)	–	–	233	(99)
Contracts for shares	12	50	–	149	–	(128)	–	–	83	–
Other	–	10	–	–	–	–	(3)	–	7	–
Total liabilities	**840**	**549**	**–**	**1,312**	**–**	**(2,284)**	**31**	**–**	**448**	**(167)**

(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, 2023	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	25	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of others in Israel	1	NAV (Net Asset Value) model	Price	13.30	13.30
	1	Cash flows discounting	Price	7.75	7.75
Bonds of foreign others	1	Cash flows discounting	Price	1.31-5.71	5.24
Assets with respect to derivative instruments:					
NIS / CPI	26	Cash flows discounting	Inflationary expectations	2.83%-2.73%	2.80%
Contracts for shares	2	Options pricing model	Standard deviation per share	164.93%-49.53%	64.39%
Other	747	Cash flows discounting	Counter-party credit quality	3.10%-0.30%	2.09%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	36	Cash flows discounting	Inflationary expectations	2.83%-2.73%	2.81%
Other	1,092	Cash flows discounting	Counter-party credit quality	3.30%-0.30%	1.82%

	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	63.5	63.5
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	3.01%-0.17%	2.10%
Foreign currency	10	Cash flows discounting	Counter-party credit quality	0.98%-0.17%	0.89%
Contracts for shares	1	Options pricing model	Standard deviation per share	181.31%-40.78%	137.50%
Other	637	Cash flows discounting	Counter-party credit quality	2.60%-0.30%	1.91%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	58	Cash flows discounting	Inflationary expectations	3.01% - 1.80%	2.44%
Other	668	Cash flows discounting	Counter-party credit quality	3.60%-0.30%	1.75%

	Fair value as of December 31, 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	11	NAV (Net Asset Value) model	Price	63.50	63.50
Bonds of foreign others	3	Cash flows discounting	Price	15.00-72.25	24.25
Assets with respect to derivative instruments:					
NIS / CPI	23	Cash flows discounting	Inflationary expectations	2.72%-2.36%	2.61%
Other	393	Cash flows discounting	Counter-party credit quality	3.10%-0.30%	2.19%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	60	Cash flows discounting	Inflationary expectations	2.72%-2.36%	2.55%
Other	388	Cash flows discounting	Counter-party credit quality	3.60%-0.30%	1.84%

Note 15 – Balances and estimates of fair value of financial instruments – continued

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, 2023, September 30, 2022 and December 31, 2022 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 May 3, 2023, the Board of Directors approved, after approval by the Remuneration Committee, allocation of options pursuant to the 2023 outline, to the Bank President & CEO, to Bank officers, to key employees and to other managers at the Bank and at Bank subsidiaries, as follows:

- Option plan 1 – up to 35,355 options 1 to be awarded to the Bank President & CEO, exercisable for up to 9,049 Bank ordinary shares of NIS 0.1 par value each.
- Option plan A – up to 300,809 options A to be awarded to up to eight Bank officers who are not gatekeepers, exercisable for up to 76,995 Bank ordinary shares of NIS 0.1 par value each.
- Option plan B – up to 135,709 options B to be awarded to up to five Bank officers who are gatekeepers, exercisable for up to 34,736 Bank ordinary shares of NIS 0.1 par value each.
- Option plan C – up to 554,600 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 141,955 Bank ordinary shares of NIS 0.1 par value each.
- Option plan D – up to 903,975 options D to be awarded to up to sixty-seven managers employed by the Bank subject to individual employment contracts and up to thirty-one other managers at the Bank and at Bank subsidiaries, which have been approved for inclusion in this group, exercisable for up to 231,380 Bank ordinary shares of NIS 0.1 par value each.
- Option plan E – Up to 1,512,950 options E to be awarded to up to two hundred and sixty-three managers employed by the Bank subject to collective bargaining agreements, and to up to twenty-one managers at Bank subsidiaries, exercisable for up to 387,252 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 154.40 plus linkage differentials from the known CPI upon approval by the Board of Directors to the known CPI upon the exercise date.

In case of dividend distribution, bonus share distribution, rights issuance, split or reverse split of share capital and re-structuring at the Bank, the adjustments shall be made as set forth in the Outline employee offering.

The options issued in the name of the Trustee on behalf of the Bank President & CEO, pursuant to options plan 1, may be exercised as from the second anniversary of the issue date and would expire 18 months after the vesting date, as defined in the Memorandum.

The options issued in the name of the Trustee pursuant to option plans A, B or C shall be divided into three equal lots; The lots may be exercised as from two years after (1) the issue date; (2) April 1, 2026; and (3) April 1, 2027; Each lot shall expire 18 months after each of said dates.

All options issued pursuant to option plans D and E may be exercised in a single lot from the second anniversary of the issue date and would expire two years after the vesting date, as defined in the Memorandum.

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.

Note 16 – Other matters – Cont.

Moreover, eligibility for options shall be determined based on the following criteria, as set forth in the Outline:

- Options A and options B issued to offerees who are officers of the Bank, as noted above, constitute part of these officers' variable remuneration. Officer eligibility to options A or to options B would be determined based on four criteria which are measurable "company-wide criteria" (hereinafter: "the quantitative benchmarks") and based on a qualitative criterion based on supervisor assessment of achievement of individual targets of the officer, all as specified in the outline.
- Eligibility of offerees to options C and options D, with respect to any bonus year, would be determined exclusively based on the quantitative benchmarks. Eligibility of offerees 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.

The exercise price for each option to be issued pursuant to each of the plans is NIS 114.88 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 16.21;
- Options A – NIS 16.01;
- Options B – NIS 16.01;
- Options C – NIS 16.00;
- Options D and E – NIS 16.97.

The theoretical benefit value of the options in these approved lots, calculated in accordance with US accounting rules (ASC718 "Share-based Payment"), amounts to NIS 57 million.

The theoretical lot value shall be recognized in Bank accounts over the vesting period, i.e. from the second quarter of 2023 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 October 7, 2023, after the balance sheet date, war was declared following a sudden murderous rampage into settlements close to the Gaza Strip border. This was concurrently with the start of military escalation on the Northern border.
Concurrently, the Bank started review of means to provide relief and assistance to settlements adjoining the Gaza Strip and the Northern border impacted by the state of war, as well as Bank customers across the country who were directly or indirectly impacted by the state of war and economic implications thereof. In this context, assistance was provided to civilians in the conflict zones, as well as a range of relief options provided to Bank customers impacted by these events, including bonuses, deferment of loan payments free of interest, exemption from making mortgage payments and bank fees, loans at preferential terms and so forth.
In conformity with the Supervisor of Banks' circular dated November 9, 2023, calculation of the provision for credit losses on these financial statements includes the anticipated effect of this war, as known soon prior to publication of the financial statements.
As of the issue date of these financial statements, this war is still ongoing. Consequently, Bank results may be affected by various factors where it is impossible to tell how they would develop, including: duration of the war, macro-economic benchmarks including unemployment and growth rates, changes to capital markets and to exchange rates and the utilization rate of benefits offered to customers.

On November 27, 2023, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 164.7 million, or 15% of earnings in the third quarter of 2023, given the state of uncertainty in the economy regarding, inter alia, the continued war and the extent of its effects, and so as to enable further assistance to Bank customers, including by way of extending credit to customers with repayment capacity, and further to the Supervisor of Banks' letter on this matter dated November 12, 2023.

The dividend amount is 638.68% of issued share capital, i.e. NIS 63.87 per NIS 0.1 par value share. The effective date for dividends payment is December 5, 2023 and the payment date is December 12, 2023. The final dividends per share is subject to changes due to realized convertible securities of the Bank. In accordance with accounting rules, this amount would be deducted from retained earnings in the fourth quarter of 2023.

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

During the first nine months of 2023, the Bank's Board of Directors held 12 plenary meetings. Furthermore, in this quarter 41 meetings of Board committees and 6 Board member workshops took place.

In the first nine months of 2023 through the issue date of these financial statements, there were no changes in composition of the Board of Directors.

Presented below are changes during the first nine months of 2023 and through publication of these financial statements:

- Mr. Eli Alroy started his term in office as member of the Credit Committee on January 1, 2023.

Bank management and senior officers

Ms. Meital Harush, who served as Manager, LIVE space and Direct Banking Sector of the Bank for the past 7 years, was appointed VP and Manager, Human Capital and Resources Division as from April 1, 2023, replacing Mr. Nissan Levy who completed their term in office.
Mr. Ofer Horvitz, who served as Bank Secretary and Manager, Bank Headquarters for the past 3 years, was appointed VP and Manager, Risk Control Division as from April 1, 2023, replacing Mr. Doron Klauzner who completed their term in office.
Mr. Micha Argaman, who serves as Deputy Manager, Human Capital, Resources and Operations Division of the Bank for the past 3 years, was appointed executive manager of the Banking Operation Sector as from April 1, 2023.
Mr. Tal Ben Ari, who served as VP and Manager, Finance Division of Union Bank for the past 6 years, was appointed executive manager of the Enterprise-Wide Project Department as from April 1, 2023.
Mr. Hanan Kikuzashvili, who served as Deputy Bank Secretary for the past 3 years, was appointed Bank Secretary and Manager, Bank Headquarters as from April 1, 2023, replacing Mr. Ofer Horvitz who was appointed Manager, Risk Control Division.

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 2022 report.

In the reported period there were no material changes to this information.

Note that due to the war, adjustments were made after the report date to audit activity and the Audit Committee has been informed.

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.

Legislation and supervisory directives applicable to Bank Group operations

Laws and regulations

Banking Regulations (Licensing) (Bank with large-scale operations), 2023

On January 30, 2023, the Knesset Finance Committee approved Banking Regulations (Licensing) (Bank with large-scale operations), 2023, which *inter alia* revised the definition of a bank with large-scale operations, which now also applies to the Bank.

According to the Regulations, the Bank would be required to reduce credit card facilities by 25%, from January 31, 2027 through January 31, 2030, compared to the relevant facilities (facilities in excess of NIS 10,000) for credit cards in 2015. The Minister of Finance announced their intention to eliminate this restriction in the upcoming Arrangements Law.

Moreover, as from January 31, 2026, the share of new cards issued by a credit card issuer of a single bank may not exceed 52%. This is in effect for 3 years.

Payment Services and Payment Initiation Regulation Law, 2023

On May 22, 2023, the Knesset, as part of the Economic Plan Law (Legislation amendments for implementation of economic policy for 2023 and 2024 budget years), 2023, also enacted the Payment Services and Payment Initiation Regulation Law, 2023.

According to this Law, the Bank would be required to support basic and advanced payment initiation and online direct debit initiation through third parties ("Initiation Service Providers") from payment accounts of Bank customers. The Bank is required to provide Initiation Service Providers with access to payment accounts of its customers, free of charge; moreover, the Bank may not make provision of such access contingent on signing an agreement between the Bank and the Initiation Service Providers.

Furthermore, according to the Law, the Bank would be required to support mandatory connectivity between payment applications with extensive operations, which provide person-to-person fund transfer services, and other payment accounts (such as current accounts managed by banks), all in a simple, convenient manner based on identification such as cell phone number.

The effective start date for this Law is June 6, 2024 (one year from publication thereof). The Bank is preparing for implementation of the Law.

Application of the Law is not expected to have any material impact on the Bank's financial statements.

Postponement Law (Interim Directive – Iron Swords) (Contract, verdict or payment to an authority), 2023

On October 18, 2023, the Law was made public, whereby a postponement by up to 30 days ("the Postponement Period") is allowed for any charge pursuant to any contract or verdict, to anyone serving as a soldier, policeman, prison officer (under certain conditions) or fireman between October 7, 2023 and November 7, 2023 ("the Effective Period"), or to anyone who was during this period (or part thereof) missing, kidnapped or prisoner of war, or who resided in the Gaza border region, or who was hospitalized for one week or longer due to enemy action, or who worked / volunteered with any life saving organization. The Law authorizes extension of the Effective Period (up to December 31, 2023) and the Postponement Period.

In early November 2023, an ordinance was passed extending the Effective Period (through December 7, 2023) and the Postponement Period (to 60 days).

Supervisor of Banks

Circulars and public reporting directives

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.

On January 22, 2023, the Bank of Israel issued a circular regarding implementation of open banking standard in Israel, amending Directive 368 and stipulating provisions regarding, inter alia, provision of access to information about securities, service level, use of certificates and approval of operations as payment initiator. The effective start date of the amendments in the circular is the issue date of the circular, except for presentation of information about securities, which is June 14, 2023, and except for amendments regarding handling of malfunctions, response times and service level, which is June 30, 2023.

On February 9, 2023, the Bank of Israel issued a circular concerning reporting of open banking activity, amending Reporting Directive 868 "Reporting of open banking activity", so as to allow the Supervisor of Banks to monitor the nature and scope of open banking activity in Israel. The effective start date for this reporting directive is January 1, 2023, with relief as set forth in the circular.

The Bank is implementing the directives. Application of this directive has no material impact on the Bank's financial statements.

Risk Management

On February 26, 2023, the Bank of Israel issued a circular regarding risk management (Amendment to Proper Conduct of Banking Business Directive 310). This amendment concerns the involvement of banking corporations and counter parties in activities related to cryptographic assets; the approval process for new products now includes mandatory review of compliance of the new product with applicable requirements of laws and regulations. Definition of the term "Cryptographic asset" has been added, as well as mandatory reporting in writing to the Supervisor of Banks prior to launch of operations related to this asset class. The amendment applies as from the publication date thereof.

The Bank is applying this directive. Application of this directive has no material impact on the Bank's financial statements.

On February 26, 2023, the Supervisor of Banks issued a letter regarding "Dealing in financial cryptographic assets", which lists the key risks arising from operations involving crypto and a requirement to apply the amendment to Directive 310 to such operations.

Opening a current account with balance in credit and account management

On March 26, 2023, the Bank of Israel issued a circular regarding Opening a current account with balance in credit (Amendment to Proper Conduct of Banking Business Directive 422). This amendment is intended to clarify the cases where a claim of "reasonable refusal" to open a current account with balance in credit and account management using basic payment services would not be acceptable. The scope of this directive was expanded to include management of current account with balance in debit not exceeding the approved credit facility, and expanded the basic payment services set forth in the Directive. The effective start date of the amendment in this circular is one year after publication thereof.

The Bank is preparing to implement the directive. Application of this directive has no material impact on the Bank's financial statements.

Management of customer service and support department

On March 26, 2023, the Bank of Israel issued a circular concerning management of customer service and support department (Proper Conduct of Banking Business Directive 501). This Directive is part of an extensive plan by the Supervisor of Banks to specify guidelines and standards for banking consumer relations, for fair conduct of banking corporations with their customers. This Directive provides guidelines for providing service and support to banking system customers, through various service channels, and stipulates obligations with regard to corporate governance and work processes of banking corporations, in order to promote an organizational culture that emphasizes quality and availability of customer service and support. In this regard, the banking corporation's Board of Directors and management are required to set strategy, policy, plans and work processes to ensure promotion of the banking corporation's compliance with the specified guidelines.

The effective start date of the directive in this circular is one year after publication thereof, except for some sections that would become effective on dates listed in the circular.

The Bank is preparing to implement the directive. Application of this directive has no material impact on the Bank's financial statements.

Interest risk in bank portfolio

On May 24, 2023, the Supervisor of Banks issued a circular updating Proper Conduct of Banking Business Directive 333 concerning "Interest risk in bank portfolio". The updated directive adopts the current document on interest risk in bank portfolio issued by the Basel Committee on Bank Supervision. The circular includes, *inter alia*, the following updates:

- Guidelines for interest risk management – The guidelines listed in the directive include, *inter alia*, corporate governance arrangements for risk management and risk monitoring, risk delineation, risk measurement both in terms of economic value and in terms of earnings, use of diverse scenarios, including stress tests, strict handling of instruments with behavioral options and of assumptions used in modelling thereof for risk estimation, management of risk in models for management of interest risk in bank portfolio, reporting to the Board of Directors and to senior management, as well as proper handling of risk under Pillar 2.
- The standard framework – The directive includes certain provisions with regard to measurement of interest risk in bank portfolio based on economic value of capital, and in particular with regard to measurement of cash flows.
- Calculation of interest shocks – The directive includes provisions for calculation of standard interest shocks for banks and settlement providers, to be adjusted for standard interest shocks in public disclosure requirements.

The effective start date of this directive is December 31, 2024. 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.

Effective management of climate-related financial risk

On June 12, 2023, the Bank of Israel issued a circular concerning guidelines for effective management of climate-related financial risk (Proper Conduct of Banking Business Directive 345). The directive stipulates guidelines which banking corporations must adhere to for optimal management of their exposure to climate-related financial risk. The directive requires disclosure of environmental risk to which the Bank is exposed, including climate risk, and description of how such risk is managed, in conformity with Public Reporting Directives.

The effective start date of the directive in this circular is two years after publication thereof. The Bank is preparing to implement the directive. Application of this directive has no material impact on the Bank's financial statements.

Distribution of credit cards issued by issuers who have signed a distribution agreement with a banking corporation

On June 29, 2023, the Bank of Israel issued a circular concerning distribution of credit cards issued by issuers who have signed a distribution agreement with a banking corporation (Proper Conduct of Banking Business Directive 473). Pursuant to provisions of Section 7F of the Banking Law (Customer Service), 1981, the directive stipulates that when a customer contacts a banking corporation seeking to enter into a credit card contract there with, or when a banking corporation contacts a customer proposing such contracting, the banking corporation must distribute the credit cards issued by issuers who have signed a distribution agreement there with. The directive stipulates provisions with regard to credit card distribution processes pursuant to Section 7F of the Law.

The effective start date of the directive is as of the publication date thereof. Any distribution agreements signed prior to the effective start date of the directive would be adjusted by the parties within six months. The Bank is applying this directive. Application of this directive has no material impact on the Bank's financial statements.

Banking corporation business with related persons

On June 29, 2023, the Supervisor of Banks issued a circular updating Proper Conduct of Banking Business Directive 312 concerning "Banking corporation business with related persons". The updated directive includes, *inter alia*, the following changes:

- Relief for definition of Related Person for a banking corporation controlled by another banking corporation – In conformity with Section 3(F) of the directive, corporations in which the investment is not material and where the banking corporation has no control thereof, shall be excluded from definition of Related Person.
- CEO and Chairman of the Board of Directors of major investees – The directive stipulates that with regard to Related Person in Section 3(D1) regarding CEO and Chairman of the Board of Directors of major investees, out of all such companies – only companies classified as Subsidiary would be included.
- Committee on transactions with related persons – The updated directive expands the waiver for the committee on transactions with related persons, or the Audit Committee, of mandatory discussion of all transaction types conducted by the banking corporation with companies in the bank group which exclusively provide services to the banking corporation.
- Reporting to the Supervisor – The requirement to submit to the Supervisor a list of Related Persons of the banking corporation, indicating the indebtedness of each Related Person, in conformity with the reporting outline to the Supervisor, has been eliminated.

The effective start date of this circular is as of the publication date thereof.

The Bank is applying the circular. Application of this circular has no material impact on the Bank's financial statements.

Operations of a banking corporation as broker dealer

On July 19, 2023, the Bank of Israel issued a circular concerning operations of a banking corporation as broker dealer (Proper Conduct of Banking Business Directive 461). This directive is a comprehensive regulatory framework for financial brokerage operations of banking corporations in receiving and giving instructions to conduct transactions in securities on behalf of customers, both in their operations as brokers and by way of trading for their own account. The directive provides for various requirements of banking corporations, including the following: Setting policy on executing instructions, adjusting operations for the customer, qualification and suitability of employees involved in operations, code of conduct, documentation requirements, providing information to the customer and receiving information from the customer, as well as proper disclosure of any conflict of interest in case of remaining exposure after taking steps to minimize it, and control over operations.

The directive requires banking corporations to categorize customers and suitability of securities for their activity, including informing any existing qualified customers, other than financial institutions, of the option available to them to obtain one or more of the protections provides by this directive, through the effective start date of this directive – which is 18 months after publication thereof. The Bank is preparing to implement the directive. Application of this directive has no material impact on the Bank's financial statements.

Procedures for extending residential mortgages

On July 19, 2023, the Bank of Israel issued a circular regarding procedures for extending residential mortgages (amendment to Proper Conduct of Banking Business Directive 451). This amendment is designed to improve the process of early repayment of residential mortgages, including by way of re-financing from another corporation.

The effective start date of the amendment in this circular is one year after publication thereof.

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.

Emphasis for the banking system due to the war

On October 12, 2023, the Supervisor of Banks issued a circular regarding emphasis for the banking system due to the war. In this publication, the Supervisor of Banks noted that the system should strive to continue providing professional services that are appropriate and continuous to its customers, and to manage all of the operational and financial risks specific to this period. Based on these targets, the banking system should comply with the following: Board discussions, relief and assistance to customers in meeting obligations, with emphasis on residents of areas under a state of emergency, IDF soldiers currently called up for service and their families, as well as small businesses that have closed or that operate in reduced capacity due to the current situation. Moreover, the banking system is required to increase monitoring of all risk, with regard to diverse aspects including those of capital, liquidity and credit, including adjustment to policy and models for even stricter stress scenarios, and review of the required liquidity level. Furthermore, review is required of appropriateness of risk management measures and tools, while bolstering the control, management and audit mechanisms in all key operations of the bank and credit card issuer. Moreover, the Supervisor of Banks has partially activated the reporting requirements under special circumstances, which help the Supervisor of Banks in analyzing the situation, making appropriate decisions and providing a response to public inquiries. The Supervisor of Banks also indicated that the banking system should prepare for increased attempts and cyber attacks against the system.

On October 15, 2023, a discussion took place headed by the Governor of the Bank of Israel and the Supervisor of Banks and attended by CEOs of the banks and credit card companies. Following this discussion, the Bank of Israel published an outline for assistance to bank customers in addressing the implications of the war. This outline consists of two circles. The first circle includes the following customer group: Those residing up to 30 kilometers from the Gaza Strip, those evacuated from their homes by an official entity, as of the issue date of this outline, those who are immediate relatives of those killed, kidnapped or missing in this war and those called up for reserve military duty and those called up under Directive 8. The second circle includes all other bank customers.

On October 18, 2023, the Bank of Israel issued supervisory emphasis regarding handling of debt and public reporting. The key emphasis is as follows:

- For borrowers affected by the war, the Supervisor of Banks encourages banking corporations to act so as to allow flexibility in loan repayment for such borrowers.
- Debt in arrears – debt with no payments in arrears upon the outbreak of this war shall not be reported as debt in arrears if payments are not in arrears pursuant to revised terms and conditions of such debt. Otherwise, the status of arrears should be reset to what it was at the outbreak of this war and should be frozen for the duration of payment deferment.
- Problematic debts and accounting write-offs – the banking corporation should exercise discretion when classifying debt as problematic.
- Public disclosure – the banking corporation should provide disclosure for borrower debt affected by the war and subject to revised repayment arrangements, as noted above.

Adjustments to Proper Conduct of Banking Business Directives for addressing the war (Interim Directive)

Due to the war started on October 7, 2023 and its implications for the Israeli economy, and in order to assist the banking system and its customers to address this challenging situation, the Supervisor of Banks issued a range of relief measures included in this interim directive.

Proper Conduct of Business Banking Directive 251 – the adjustments to this directive are designed to allow banks and credit card companies the business flexibility required at this time, in order to provide relief to customers affected by the state of war. This interim directive shall be revised from time to time as required. The steps taken include adjustments to addressing public complaints, management of credit facilities in checking accounts, adjustments regarding E-banking due to the many customers called up for reserve military service or required to evacuate their homes, and management of AML and terror financing risk.

Proper Conduct of Banking Business Directive 203 regarding "Measurement and capital adequacy – standard approach – credit risk" – it has been clarified that increase in LTV above 80% for loans designated for land purchase for development or construction, due to interest accrued through December 31, 2023 due to any grace period granted after October 7, 2023 would not be accounted for in LTV calculation.

Bank's credit rating

On August 1, 2023, 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 October 19, 2023, rating agency Fitch Ratings (hereinafter: "Fitch") placed the Bank's rating under Negative Watchlist, further to similar action taking with regard to Israel's debt rating. The Bank's long-term IDR is A, and the Bank's short-term IDR is F1+. The rating of CoCo notes is BBB.

On October 24, 2023, rating agency Moody's Investors Service placed the rating of the Bank's long-term deposits under review for rating downgrade, further to review of Israel's debt rating. The deposits are currently rated A2.

On October 31, 2023, S&P Global Ratings Maalot Ltd. (hereinafter: "Ma'alot") revised the Bank's rating outlook from Stable to Negative. At the same time, the agency confirmed the Bank's issuer rating of ilAAA. The change in the Bank's rating outlook is further to the change in rating outlook of the State of Israel, due to the war, reflecting the probability of this war having a material negative effect on the Israeli 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 October 31, 2023, rating agency S&P Global Ratings (hereinafter: "S&P") lowered the Bank's rating outlook from Stable to Negative. At the same time, the agency confirmed the long-term issuer credit rating of A- and the short-term issuer credit rating of A-2. 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 2022 financial statements.

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof[1]

Reported amounts (NIS in millions)

A. Average balances and interest rates – assets

	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	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	308,702	[7]4,995	6.47	289,917	[7]3,722	5.14
Outside of Israel	7,896	186	9.42	5,593	88	6.29
Total	**316,598**	**5,181**	**6.55**	**295,510**	**3,810**	**5.16**
Loans to the Government						
In Israel	534	5	3.75	324	1	1.23
Outside of Israel	69	2	11.59	98	2	8.16
Total	**603**	**7**	**4.64**	**422**	**3**	**2.84**
Deposits with banks						
In Israel	1,700	15	3.53	2,404	3	0.50
Outside of Israel	937	–	–	202	–	–
Total	**2,637**	**15**	**2.28**	**2,606**	**3**	**0.46**
Deposits with central banks						
In Israel	63,626	635	3.99	75,029	240	1.28
Outside of Israel	17,298	245	5.67	11,643	68	2.34
Total	**80,924**	**880**	**4.35**	**86,672**	**308**	**1.42**
Securities borrowed or purchased in resale agreements						
In Israel	26	–	–	1,507	4	1.06
Outside of Israel	–	–	–	–	–	–
Total	**26**	**–**	**–**	**1,507**	**4**	**1.06**
Bonds held to maturity and available for sale[4]						
In Israel	12,213	112	3.67	11,674	60	2.06
Outside of Israel	1,091	16	5.87	1,031	6	2.33
Total	**13,304**	**128**	**3.85**	**12,705**	**66**	**2.08**
Bonds held for trading[5]						
In Israel	7,229	13	0.72	2,156	19	3.53
Outside of Israel	–	–	–	–	–	–
Total	**7,229**	**13**	**0.72**	**2,156**	**19**	**3.53**
Total interest-bearing assets	**421,321**	**6,224**	**5.91**	**401,578**	**4,213**	**4.20**
Receivables for credit card operations	3,811			4,411		
Other non-interest bearing assets[6]	10,601			11,470		
Total assets	**435,733**			**417,459**		
Total interest-bearing assets attributed to overseas operations	**27,291**	**449**	**6.58**	**18,567**	**164**	**3.53**

See footnotes below.

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof[(1)]– Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – liabilities and equity

	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	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	31,317	280	3.58	[(11)]44,535	49	0.44
Term deposits	222,414	2,480	4.46	170,751	990	2.32
Outside of Israel						
On-call	452	–	–	589	–	–
Term deposits	10,987	158	5.75	4,693	27	2.30
Total	**265,170**	**2,918**	**4.40**	**220,568**	**1,066**	**1.93**
Deposits from the Government						
In Israel	27	1	14.81	51	1	7.84
Outside of Israel	–	–	–	–	–	–
Total	**27**	**1**	**14.81**	**51**	**1**	**7.84**
Deposits from banks						
In Israel	6,697	17	1.02	8,243	8	0.39
Outside of Israel	226	–	–	361	1	1.11
Total	**6,923**	**17**	**0.98**	**8,604**	**9**	**0.42**
Securities loaned or sold in re-purchase agreements						
In Israel	–	–	–	–	–	–
Outside of Israel	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**
Bonds and subordinated notes						
In Israel	36,410	324	3.56	33,206	434	5.23
Outside of Israel	–	–	–	–	–	–
Total	**36,410**	**324**	**3.56**	**33,206**	**434**	**5.23**
Other liabilities						
In Israel	8,678	5	0.23	4,285	12	1.12
Outside of Israel	–	–	–	–	–	–
Total	**8,678**	**5**	**0.23**	**4,285**	**12**	**1.12**
Total interest-bearing liabilities	**317,208**	**3,265**	**4.12**	**266,714**	**1,522**	**2.28**
Non-interest bearing deposits from the public	74,772			[(11)]107,790		
Payables for credit card transactions	5,712			5,825		
Other non-interest bearing liabilities[(8)]	10,013			12,392		
Total liabilities	**407,705**			**392,721**		
Total equity instruments	**28,028**			**24,738**		
Total liabilities and equity instruments	**435,733**			**417,459**		
Interest spread			**1.79**			**1.91**
Net return on interest-bearing assets[(9)]						
In Israel	394,030	2,668	2.71	383,011	2,555	2.67
Outside of Israel	27,291	291	4.27	18,567	136	2.93
Total	**421,321**	**2,959**	**2.81**	**401,578**	**2,691**	**2.68**
Total interest-bearing liabilities attributed to overseas operations	**11,665**	**158**	**5.42**	**5,643**	**28**	**1.98**

See footnotes below.

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof[(1)]– Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – assets – Continued

	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	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	304,626	[(7)]14,944	6.54	279,718	[(7)]10,415	4.96
Outside of Israel	7,337	490	8.90	4,977	209	5.60
Total	**311,963**	**15,434**	**6.60**	**284,695**	**10,624**	**4.98**
Loans to the Government						
In Israel	443	12	3.61	339	4	1.57
Outside of Israel	76	6	10.53	104	5	6.41
Total	**519**	**18**	**4.62**	**443**	**9**	**2.71**
Deposits with banks						
In Israel	2,582	67	3.46	2,201	9	0.55
Outside of Israel	259	2	1.03	160	1	0.83
Total	**2,841**	**69**	**3.24**	**2,361**	**10**	**0.56**
Deposits with central banks						
In Israel	66,117	1,821	3.67	75,828	332	0.58
Outside of Israel	16,159	617	5.09	10,436	96	1.23
Total	**82,276**	**2,438**	**3.95**	**86,264**	**428**	**0.66**
Securities borrowed or purchased in resale agreements						
In Israel	91	3	4.40	1,267	5	0.53
Outside of Israel	–	–	–	–	–	–
Total	**91**	**3**	**4.40**	**1,267**	**5**	**0.53**
Bonds held to maturity and available for sale[(4)]						
In Israel	12,811	301	3.13	13,203	209	2.11
Outside of Israel	1,128	46	5.44	966	11	1.52
Total	**13,939**	**347**	**3.32**	**14,169**	**220**	**2.07**
Bonds held for trading[(5)]						
In Israel	6,294	14	0.30	1,685	22	1.74
Outside of Israel	–	–	–	–	–	–
Total	**6,294**	**14**	**0.30**	**1,685**	**22**	**1.74**
Total interest-bearing assets	**417,923**	**18,323**	**5.85**	**390,884**	**11,318**	**3.86**
Receivables for credit card operations	4,074			4,248		
Other non-interest bearing assets[(6)]	9,263			10,612		
Total assets	**431,260**			**405,744**		
Total interest-bearing assets attributed to overseas operations	**24,959**	**1,161**	**6.20**	**16,643**	**322**	**2.58**

See footnotes below.

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof[1]– Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – liabilities and equity – Continued

	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	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	32,942	715	2.89	[11]44,750	75	0.22
Term deposits	213,009	6,727	4.21	160,194	2,416	2.01
Outside of Israel						
On-call	444	–	–	539	–	–
Term deposits	8,996	367	5.44	4,399	36	1.09
Total	**255,391**	**7,809**	**4.08**	**209,882**	**2,527**	**1.61**
Deposits from the Government						
In Israel	45	2	5.93	54	1	2.47
Outside of Israel	–	–	–	–	–	–
Total	**45**	**2**	**5.93**	**54**	**1**	**2.47**
Deposits from banks						
In Israel	7,211	74	1.37	7,372	10	0.18
Outside of Israel	75	–	–	218	1	–
Total	**7,286**	**74**	**1.35**	**7,590**	**11**	**0.19**
Securities loaned or sold in re-purchase agreements						
In Israel	–	–	–	–	–	–
Outside of Israel	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**
Bonds and subordinated notes						
In Israel	34,945	1,141	4.35	34,853	1,471	5.63
Outside of Israel	–	–	–	–	–	–
Total	**34,945**	**1,141**	**4.35**	**34,853**	**1,471**	**5.63**
Other liabilities						
In Israel	8,054	11	0.18	2,623	20	1.02
Outside of Israel	–	–	–	–	–	–
Total	**8,054**	**11**	**0.18**	**2,623**	**20**	**1.02**
Total interest-bearing liabilities	**305,721**	**9,037**	**3.94**	**255,002**	**4,030**	**2.11**
Non-interest bearing deposits from the public	81,364			[11]108,127		
Payables for credit card transactions	5,554			5,582		
Other non-interest bearing liabilities[8]	11,528			12,330		
Total liabilities	**404,167**			**381,041**		
Total equity instruments	**27,093**			**24,703**		
Total liabilities and equity instruments	**431,260**			**405,744**		
Interest spread			**1.90**			**1.75**
Net return on interest-bearing assets[9]						
In Israel	392,964	8,492	2.88	374,241	7,003	2.50
Outside of Israel	24,959	794	4.24	16,643	285	2.28
Total	**417,923**	**9,286**	**2.96**	**390,884**	**7,288**	**2.49**
Total interest-bearing liabilities attributed to overseas operations	**9,515**	**367**	**5.14**	**5,156**	**37**	**0.96**

See footnotes below.

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof[(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, 2023			For the three months ended September 30, 2022		
	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	294,511	4,239	5.76	289,559	2,483	3.43
Total interest-bearing liabilities	217,498	(1,932)	(3.55)	[(11)]172,180	(534)	(1.24)
Interest spread			**2.20**			**2.19**
Israeli currency – linked to the CPI						
Total interest-bearing assets	85,134	1,267	5.95	76,026	1,413	7.43
Total interest-bearing liabilities	50,244	(543)	(4.32)	51,267	(749)	(5.84)
Interest spread			**1.63**			**1.59**
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest-bearing assets	14,385	269	7.48	17,426	153	3.51
Total interest-bearing liabilities	37,801	(632)	(6.69)	37,624	(211)	(2.24)
Interest spread			**0.79**			**1.27**
Total – operations in Israel						
Total interest-bearing assets	394,030	5,775	5.86	383,011	4,049	4.23
Total interest-bearing liabilities	305,543	(3,107)	(4.07)	261,071	(1,494)	(2.29)
Interest spread			**1.79**			**1.94**

See footnotes below.

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof[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, 2023			For the nine months ended September 30, 2022		
	Average balance	Interest revenues (expenses)	Revenue (expense) rate	Average balance	Interest revenues (expenses)	Revenue (expense) rate
			in %			in %
Israeli currency – non-linked						
Total interest-bearing assets	293,431	12,042	5.47	279,972	6,035	2.87
Total interest-bearing liabilities	210,996	(5,162)	(3.26)	[11]165,012	(951)	(0.77)
Interest spread			**2.21**			**2.11**
Israeli currency – linked to the CPI						
Total interest-bearing assets	83,590	4,323	6.90	76,520	4,586	7.99
Total interest-bearing liabilities	48,179	(1,902)	(5.26)	53,873	(2,664)	(6.59)
Interest spread			**1.63**			**1.40**
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest-bearing assets	15,943	797	6.67	17,749	375	2.82
Total interest-bearing liabilities	37,031	(1,606)	(5.78)	30,961	(378)	(1.63)
Interest spread			**0.88**			**1.19**
Total – operations in Israel						
Total interest-bearing assets	392,964	17,162	5.82	374,241	10,996	3.92
Total interest-bearing liabilities	296,206	(8,670)	(3.90)	249,846	(3,993)	(2.13)
Interest spread			**1.92**			**1.79**

See footnotes below.

Appendix 1 – Revenue rates and interest expenses of the Bank and subsidiaries thereof[1]– Continued

Reported amounts (NIS in millions)

C. Analysis of changes to interest revenues and expenses

	For the three months ended September 30, 2023 compared to the three months ended September 30, 2022			For the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022		
	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	304	969	1,273	1,222	3,307	4,529
Outside of Israel	54	44	98	158	123	281
Total	**358**	**1,013**	**1,371**	**1,380**	**3,430**	**4,810**
Other interest-bearing assets						
In Israel	(71)	524	453	(155)	1,792	1,637
Outside of Israel	87	100	187	227	331	558
Total	**16**	**624**	**640**	**72**	**2,123**	**2,195**
Total interest revenues	**374**	**1,637**	**2,011**	**1,452**	**5,553**	**7,005**
Interest-bearing liabilities						
Deposits from the public						
In Israel	418	1,303	1,721	1,241	3,710	4,951
Outside of Israel	85	46	131	175	156	331
Total	**503**	**1,349**	**1,852**	**1,416**	**3,866**	**5,282**
Other interest-bearing liabilities						
In Israel	40	(148)	(108)	131	(405)	(274)
Outside of Israel	–	(1)	(1)	–	(1)	(1)
Total	**40**	**(149)**	**(109)**	**131**	**(406)**	**(275)**
Total interest expenses	**543**	**1,200**	**1,743**	**1,547**	**3,460**	**5,007**

(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, 2023 and September 30, 2022, for the nine-month periods ended September 30, 2023 and September 30, 2022, 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 (555) million, NIS (562) million, NIS (593) million and NIS (342) million, respectively.

(5) From the average balance of bonds held for trade, for the three-month periods ended September 30, 2023 and September 30, 2022, and for the nine-month periods ended September 30, 2023 and September 30, 2022, we deducted / added the average balance of unrealized gains from adjustment to fair value of bonds held for trade amounting to NIS 18 million, NIS 30 million, NIS 13 million and NIS 15 million, respectively.

(6) Includes derivative instruments, other non-interest bearing assets, net of provision for credit losses.

(7) Commissions amounting to NIS 88 million, NIS 100 million, NIS 295 million and NIS 488 million were included in interest revenues for the three-month periods ended September 30, 2023 and 2022 and for the nine-month periods ended September 30, 2023 and 2022, respectively.

(8) Includes derivative instruments.

(9) Net return – net interest revenues divided by total interest-bearing assets.

(10) The change attributed to change in volume was calculated by multiplying the new price and the change in volume. The change attributed to change in price was calculated by multiplying the old volume and the change in price.

(11) Reclassified.

Glossary and index of terms included on the financial statements

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

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	**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.
E	**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.
G	**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.
I	**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.
L	**LGD (Loss Given Default)** – Loss rate from credit should the customer go into default.
	Loan To Value Ratio (LTV) – The ratio between the approved facility when extended and the asset value.
M	**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.
P	**PD (Probability of Default)** – Probability (in percent) of a borrower going into default within a specified time.
	Pillar 2 – The second pillar of the Basel II document, referring to the supervisory review process. This part consists of the following underlying principles: 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.
R	**Risk assets** – Composed of credit risk, operating risk and market risk, calculated using the standard approach, as set forth in Proper Conduct of Banking Business Directives 201-211.
S	**Standard approach** – An approach used to calculate the required capital with respect to credit risk, market risk or operational risk. 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".
	Subordinated obligatory notes – Obligatory notes whose rights are subordinated to claims by other Bank creditors, except for other obligatory notes of the same type.
	Stress tests – Term covering multiple methods designed to assess the financial standing of a banking corporation under a stress scenario.
V	**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.

Terms with regard to banking and finance

A	**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.
	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.
B	**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.
D	**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.
	Derivative instrument – A financial instrument or contract whose value changes in response to changes in the price of the underlying asset (a financial instrument, physical asset, index, credit rating or other underlying asset), requires a small or minimal initial investment, compared to other contract types, and is expected to be settled on a future date.
I	**Indebtedness** – On- and off-balance sheet credit, as defined in Proper Conduct of Banking Business Directive 313.
	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.
M	**Financial instrument** – A contract that creates a financial asset for one entity and a financial liability or capital instrument for another entity.
N	**Non-accruing debt** – Debt reviewed on individual basis where it is expected that the banking corporation would not be able to collect all amounts due and principal and interest payments in conformity with contractual terms and conditions of the debt agreement. Debt reviewed on individual basis is categorized as non-accruing in any case where principal or interest is in arrears over 90 days straight, unless the debt is well secured and is in collection proceedings. Non-accruing debt also includes debt with modified terms and conditions due to re-structuring of problematic debt.
O	**Off-balance sheet credit** – Contracting for providing credit and guarantees (excluding derivative instruments).
P	**Problematic debt** – Debt classified under one of the following negative classifications: special supervision, inferior or impaired.
R	**Recorded debt balance** – The debt balance, including recognized accrued interest, un-amortized premium or discount, net deferred commissions or net deferred costs charged to the debt balance and not yet amortized, net of any debt amount subject to accounting write-off.
S	**Syndication** – Loan extended jointly by a group of lenders.

Terms with regard to regulatory directives

F	**FATCA – Foreign Accounts Tax Compliance Law** – The US Foreign Accounts Tax Compliance Law stipulates mandatory reporting to the US tax authority (IRS) of accounts held by US persons with foreign financial institutions (outside the USA).
L	**LCR – Liquidity Coverage Ratio** – Defined as the ratio of High Quality Liquid Assets and net cash outflow for the next 30 days, under a stress scenario. This ratio is a measure of the Bank's capacity to meet its liquidity needs for the coming month.

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