CONDENSED CONSOLIDATED FINANCIAL REPORTS

AS OF 30.06.2022

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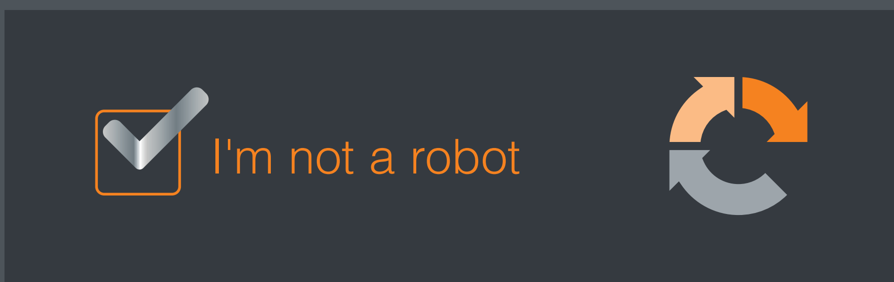
מזרחי טפחות
MIZRAHI TEFAHOT



Advanced Banking Between People

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

Bank Mizrahi Tefahot

Condensed quarterly financial statements
As of June 30, 2022

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

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Bank Mizrahi Tefahot

Report of the Board of Directors and Management

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Condensed Report of the Board of Directors and Management To the financial statements as of June 30, 2022

Introduction

The Board of Directors of Mizrahi Tefahot Bank Ltd., at its meeting held on August 15, 2022, resolved to approve and publish the Report of the Board of Directors and Management, the Risks Report and Other Supervisory Disclosures and the condensed consolidated financial statements of Mizrahi Tefahot Bank Ltd. and its subsidiaries as of June 30, 2022.

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

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

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

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

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

This additional information of which:

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

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

Forward-looking information

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

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

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

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

Overview, objectives and strategy

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

Condensed financial information and key performance indicators for the Bank Group

	2022		2021			
	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	2,453	2,144	1,958	2,001	2,035	1,691
Non-interest financing revenues	176	117	83	63	66	189
Commissions and other revenues	574	952	596	551	544	543
Total revenues	**3,203**	**3,213**	**2,637**	**2,615**	**2,645**	**2,423**
Expenses (income) with respect to credit losses	107	79	(15)	(36)	(240)	13
Operating and other expenses	1,442	1,388	1,555	1,339	1,333	1,341
Of which: Payroll and associated expenses	924	909	960	863	843	870
Pre-tax profit	1,654	1,746	1,097	1,312	1,552	1,069
Provision for taxes on profit	572	569	390	442	540	358
Net profit(1)	**1,053**	**1,154**	**679**	**845**	**988**	**676**

	First half		All of
	2022	2021	2021
	NIS in millions		
Statement of profit and loss – key items			
Interest revenues, net	4,597	3,726	7,685
Non-interest financing revenues	293	255	401
Commissions and other revenues	1,526	1,087	2,234
Total revenues	**6,416**	**5,068**	**10,320**
Expenses (income) with respect to credit losses	186	(227)	(278)
Operating and other expenses	2,830	2,674	5,568
Of which: Payroll and associated expenses	1,833	1,713	3,536
Pre-tax profit	3,400	2,621	5,030
Provision for taxes on profit	1,141	898	1,730
Net profit(1)	**2,207**	**1,664**	**3,188**

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

Group net profit in the first half of 2022 amounted to NIS 2,207 million, compared to NIS 1,664 million in the corresponding period last year – an increase by 32.6%. This reflects a 20.6% annualized return on equity, compared to

17.0% in the corresponding period last year and 15.8% for all of 2021. Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first half of 2022 is 18.2%.

Group net profit in the second quarter of 2022 amounted to NIS 1,053 million, compared to NIS 988 million in the corresponding period last year – an increase by 6.6%. This reflects a 19.4% annualized return on equity, compared to 19.8% in the corresponding period last year.

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

- Interest revenues, net in the first half of 2022 increased by 23% compared to the corresponding period last year, primarily due to a 17.4% increase in balance of loans to the public compared to June 30, 2021, to higher Bank of Israel and US Federal Reserve interest rates in the second quarter of 2022 and to impact of a 3.1% increase in the Consumer Price Index in the first half of this year, compared to a 1.4% increase in the corresponding period last year.

  For more information see "Analysis of development of financing revenues from current operations" below.
- Other revenues in the first half of 2022 include capital gain from realized assets (recorded in the first quarter) amounting to NIS 371 million. For more information see chapter "Significant Events in the Bank Group's Business" below.
- Expenses with respect to credit losses in the first half of 2022 are primarily due to adjustments to the group-based provision due to growth of the Bank's business loan portfolio and residential mortgages portfolio, and amounted to NIS 186 million. In the corresponding period last year, the Bank recognized revenues with respect to decrease in provision for credit losses amounting to NIS 227 million, due to decrease in the group-based provision, against the background of improved macro-economic data and decrease in loan amount subject to repayment deferral due to the Corona Virus crisis.
- Total operating and other expenses increased by 5.8%, primarily due to adjustment of variable remuneration items under Payroll Expenses, due to the Bank's financial results.

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

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

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

- Total assets as of June 30, 2022 amounted to NIS 417.0 billion, an increase by NIS 42.6 billion, or 11.4%, compared to June 30, 2021.
- Loans to the public, net as of June 30, 2022 amounted to NIS 298.2 billion, an increase by NIS 44.0 billion, or 17.3%, compared to June 30, 2021.
- Deposits from the public as of June 30, 2022 amounted to NIS 327.9 billion, an increase by NIS 33.5 billion, or 11.4%, compared to June 30, 2021.
- Shareholders' equity as of June 30, 2022 amounted to NIS 22.2 billion, an increase by NIS 1.7 billion, or 8.4%, compared to June 30, 2021. See below also the chapter "Capital adequacy".

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

Key financial ratios (in percent)

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

	First half		All of
	2022	2021	2021
Key performance benchmarks			
Net profit return on equity(1)(2)	(8)20.6	17.0	15.8
Net profit return on risk assets(1)(2)(3)	1.95	1.63	1.53
Return on average assets(2)	1.10	0.90	0.85
Ratio of revenues to average assets(2)	3.20	2.75	2.75
Cost-income ratio – operating expenses to total revenues(6) (Cost Income Ratio)	(8)44.1	52.8	54.0
Basic net earnings per share (in NIS)	8.65	6.52	12.47
Key credit quality benchmarks			
Expenses (income) with respect to credit losses for the period to loans to the public, net(2)	0.12	(0.18)	(0.10)
Net accounting write-offs as percentage of average loans to the public(2)	0.05	0.04	0.05
Other information			
Dividends per share (in Agorot)(7)	106	-	482
Ratio of net interest revenues to average assets(2)	2.29	2.02	2.05
Ratio of commissions to average assets(2)	0.51	0.51	0.52

Financial ratios indicate as follows:

- Net profit return on equity in the first half of the year was 20.6%, due to increased volume of activity and loans to the public, higher Bank of Israel interest rate andhigher Consumer Price Index.
- The ratio of Tier I capital to risk components increased to 10.0%. The minimum ratio required of the Bank is 9.62%.
- The cost-income ratio for the first half of 2022 was 44.1%.

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

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

(2) Annualized. In conformity with the Bank of Israel circular, the calculation method for presenting return for interim periods has been revised. Comparative figures were revised accordingly. Net profit return on equity in 2021 using the old method was: For the first helf: 17.7%; For the first quarter: 14.9%; for the second quarter: 21.3%; for the third quarter: 17.3%; for the fourth quarter: 13.5%.

(3) Net profit to total average risk assets.

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

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

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

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

(8) Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first half and in the first quarter of 2022 is 18.0% and 16.6%, and the cost-income ratio is 46.8% and 48.8%, respectively.

Key risks

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

Business goals and strategy

Strategic plan

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

Developments in capital structure

Investments in Bank capital and transactions in Bank shares

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

Raising of capital sources

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

Developments in financing sources

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

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

Deposits

The Bank distinguishes between different source types by term and by customer type. The Bank reviews the degree of depositor concentration, and in this regard the Board of Directors and management have set limits and guidelines for concentration risk with regard to a single depositor, liquid means with regard to large / institutional depositors and source structure. Quantitative and qualitative indicators to be regularly monitored, which estimate change in concentration risk –have been specified as part of liquidity risk management.
Deposits from the public for the Group as of June 30, 2022 amounted to NIS 327.9 billion, compared to NIS 307.9 billion at end of 2021, an increase by 6.5%. Deposits from the public in the NIS-denominated, non-CPI linked segment increased in 2022 by 4.9%; deposits in the CPI-linked segment increased by 8.4%; and deposits denominated in or linked to foreign currency increased by 12.8%. 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 obligatory notes to the public pursuant to published prospectuses.

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

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

As of June 30, 2022, total bonds and subordinated notes amounted to NIS 35.2 billion, compared to NIS 38.0 billion as of December 31, 2021.

Of these, contingent subordinated notes (Contingent Convertibles – CoCo) with loss-absorption provisions through principal write-off (compliant with Basel III qualification provisions and recognized by the supervisor of Banks as Tier II capital), as of June 30, 2022, amounted to NIS 6.5 billion, compared to NIS 6.1 billion as of December 31, 2021.

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

Issuance and redemption of funding sources

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

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

Significant developments in management of business operations

Corona Virus pandemic

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

Union Bank merger

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

In 2022, the merger of Union Bank into the Bank continued. This includes continued onboarding of Union Bank customers at the Bank, closing of all but five (5) Union Bank branches (through the financial statements issue date) and transfer of other operations, in as much as possible, from Union Bank to Mizrahi Tefahot. Thus, *inter alia*, the nostro operations were transferred from Union Bank to Mizrahi Tefahot.

The merger transaction is a material, large-scale and highly complex process which entails a wide range of risks. The merger process is carried out by several extensive joint work teams of Bank Mizrahi Tefahot and Union Bank, managed by a steering committee headed by the Bank President & CEO, with administrations established to carry out the merger plan and a designated Board committee established to supervise this process. The process of customer transition started in the second quarter of 2021 and is gradual, as the number of branches and customers is expanded. The Bank's Risk Control Division and Internal Audit regularly accompany and conduct control and lesson learning processes.

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

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

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

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

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

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

Significant developments in human resources and administration

Developments in labor relations

Special collective bargaining agreement at Union Bank

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

Other matters

Changes in Bank management

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

Meitav Dash Investments ceased to be an interested party

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

Migdal Insurance and Finance Holdings became an interested party

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

Legal Proceedings

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

Explanation and analysis of results and business standing

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

Trends, phenomena and material changes

Significant Events in the Bank Group's Business

Effect of the Corona Virus outbreak

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

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

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

As of June 30, 2022, the balance of loans provided by the Bank from State-guaranteed funds amounted to NIS 4.1 billion. Against the loans extended, in conformity with the Bank of Israel outline, the Bank participated and obtained a special-purpose monetary loan from the Bank of Israel for 3 years bearing fixed interest at 0.1%, whose balance as of June 30, 2022 amounted to NIS 4.9 billion.

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

Sale of properties owned by the Bank Group

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

General environment and impact of external factors on the Bank Group

Major developments in the banking sector in Israel and overseas

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

Developments in the Israeli and global economy in 2022

Israeli economy

Real developments

In the second quarter of 2022, the Israeli economy continued to be resilient as evidenced by a full employment environment. This was despite the slow-down in the global economy. The most recent Corona Virus outbreak had no material impact on the economy and did not result in any restrictions on movement.

GDP in Israel in the first quarter of 2022 declined at an annualized 1.8%, further to 8.2% annualized growth in 2021 and following a 2.2% decline in 2020. The GDP decline in the first quarter was primarily due to decrease in exports of goods and services, in public consumption and in private consumption. On the other hand, investment in fixed assets continued to expand.

The Bank of Israel Composite Index increased in the first six months of this year at an annualized rate of 0.9%, following a decrease by 2.6% in 2021 and a decrease by 0.1% in 2020. The broad unemployment rate, consisting of the un-employed, those employed but away from work due to the Corona Virus outbreak and those out of employment due to termination or to closure of their place of employment – was at 4.6% in June 2022, compared to 6.0% in December 2021. As of June, the number of vacant jobs in the economy was at a record 152.6 thousand jobs.

According to forecast by the Bank of Israel Research Division dated June 2022, GDP in Israel is expected to grow by 5.0% in 2022 and by 3.5% in 2023. The forecast calls for a continued tight labor market, maintaining a low level of unemployment.

Inflation and exchange rates

In the first six months of this year, the Consumer Price Index increased by 3.2%, compared to an increase by 1.6% in the corresponding period last year. Over the past year, the CPI increased by 4.4%, higher than the Bank of Israel target range. The increase in CPI was primarily affected by the release of pent-up demand and elimination of restrictions on economic activity, as well as by higher energy and commodity prices world-wide. All CPI components were higher, except for clothing and footwear and for fruits and vegetables.

In the first half of this year, the NIS was devalued by 12.5% against the USD, affected by foreign currency purchasing by institutional investors due to declines in global financial markets. The devaluation of the NIS increased inflationary pressures.

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

	June 30, 2022	December 31, 2021	Change in %
Exchange rate of:			
USD (in NIS)	3,500	3,110	12.5
EUR (in NIS)	3,636	3,520	3.3

On August 9, 2022, the USD/NIS exchange rate was 3.307 – a 5.5% revaluation compared to June 30, 2022. The EUR/NIS exchange rate on this date was 3.383 – a revaluation by 7.0% since June 30, 2022.

Monetary policy

Following the higher inflation and housing prices, and given the stability of the economic activity and labor market, in April 2022 the Bank of Israel continued to gradually raise interest rates. The Bank of Israel interest rate is currently at 1.25%, compared to 0.10% at the end of 2021. In its most recent interest rate resolution, the Monetary Committee noted that the pace of raising the interest rate, would be determined based on economic activity data and on inflationary developments. The forecast by the Bank of Israel Research Division, dated June 2022, estimates that the average interest rate in the second quarter of 2023 would be 2.75%.

Fiscal policy

In the first six months of 2022, the Government budget recorded a NIS 31.9 billion cumulative surplus, compared to NIS 43.7 billion deficit in the corresponding period last year. The budget surplus as percentage of GDP for the 12 months ended in June 2022 was 0.4%. In the first six months of 2022, expenditure by Government ministries decreased by 11.8% compared to the corresponding period last year; Excluding expenses for addressing the Corona Virus crisis, Government expenditure increased by 2.8%. Tax collection increased by a nominal 25.0% compared to the corresponding period last year. In late June, the Knesset was dissolved. The elections will take place on November 1, 2022.

Residential construction and the mortgage market

According to data from the Central Bureau of Statistics, in the first five months of 2022 demand for new apartments (apartments sold and apartments constructed not for sale, net of seasonal effect) was 28.3 thousand apartments, an increase by 0.2% over the corresponding period last year and an increase by 49.6% over the corresponding period in 2020. In the first half of 2022, residential mortgages extended to the public amounted to NIS 69.2 billion, compared to NIS 52.1 billion in the corresponding period last year and NIS 37.5 billion in the corresponding period in 2020 – an increase by 33% and 85%, respectively.

According to data from the Central Bureau of Statistics, owned housing prices, in terms of twelve months ended May 2022, increased by 15.9%, following an increase by 13.1% in 2021 and an increase by 4.0% in 2020.

Capital market

Trading on Israeli equity markets in major indexes in the second quarter of 2022 was negative, similar to trading on stock exchanges in the USA and world-wide.

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

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

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

Average daily trading volume in equities and convertible securities in the second quarter of 2022 was NIS 2.4 billion, compared to NIS 1.9 billion in the corresponding period last year. Average daily trading volume in the first half of 2022 was NIS 2.5 billion, compared to NIS 1.9 billion in the corresponding period last year and compared to NIS 1.9 billion in 2021.

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

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

Global economy

Global GDP declined in the second quarter of this year. This was primarily due to effects of war in the Ukraine and lock-downs imposed in China, resulting in challenges to the global supply chain and in higher inflation, due to higher prices of energy and commodities. According to the IMF forecast dated June 2022, global inflation should remain high and global GDP growth in 2022 should be 3.2% – lower by 0.4 percentage point from the previous forecast.

The US economy shrank in the second quarter of 2022 at an annualized 0.9%, further to 1.6% decrease in the previous quarter and compared to 5.7% growth for all of 2021. This was due to decrease in inventory and investments in the business sector. The inflation rate has increased to 9.1%. Consequently, the Fed continued its restrictive policy and raised the monetary interest rate to 2.50%. The Purchasing Manager Indexes show expansion in both industrial and service sectors, although at a slower pace compared to the first quarter of this year. However, the higher inflation brought about a decrease in real private consumption and slowed down the real estate sector, as evidenced by the lower number of transactions. Unemployment in June 2022 was at 3.6%, compared to 3.5% immediately prior to the crisis. The US administration is expected to push forward the approval of a climate and energy program valued at USD 370 billion.

GDP in the Euro Zone in the second quarter of 2022 increased at an annualized 2.8%, following growth by 2.0% in the first quarter and compared to 5.7% growth for all of 2021. Inflation increased to 8.9%, due to higher cost of energy imports from Russia. The ECB raised the monetary interest rate by 0.5 a percentage point, and announced creation of measures to prevent distortion in yields of Government bonds of EU member states with a high debt level. The Purchasing Manager indexes in the industrial and services sectors indicate a freeze.

GDP in China in the second quarter of 2022 decreased at an annualized 2.6%, following growth by 1.4% in the first quarter and compared to 8.1% growth for all of 2021. The economic growth rate was impacted by a new morbidity wave, which caused lock-downs to be imposed and operations at many plants to be suspended. In view of the economic slow-down and sideways movement in the real estate sector, China's central bank lowered the key interest rate and decreased reserve requirements for banks.

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

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

Major and emerging risks

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

As part of the risk mapping and identification process, the Bank reviews key risks, existing or new risks arising from developments in the Bank's business environment, which may materialize over the coming year and with potential to materially impact the Bank's financial results and stability. The Bank also identifies emerging risks, which may materialize over the longer term, with uncertainty about their nature and impact on the Bank. Of these risks, one may note the following: environmental risk and climate risk, information security and cyber risk and IT risk. As noted, the risk mapping is regularly reviewed to ensure it covers all of the Bank's business activity, market conditions and regulatory requirements.

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

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

Events after the balance sheet date

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

Changes to critical accounting policy and to critical accounting estimates

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

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

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

Material developments in revenues, expenses and other comprehensive income

Group net profit in the first half of 2022 amounted to NIS 2,207 million, compared to NIS 1,664 million in the corresponding period last year – an increase by 32.6%. This reflects a 20.6% annualized return on equity, compared to 17.0% in the corresponding period last year and 15.8% for all of 2021. Excluding effect of capital gain, net of sale of assets recognized in the first quarter of 2022, net profit return on equity in the first half of 2022 is 18.2%.

Group net profit in the second quarter of 2022 amounted to NIS 1,053 million, compared to NIS 988 million in the corresponding period last year – an increase by 6.6%. This reflects a 19.4% annualized return on equity, compared to 19.8% in the corresponding period last year.

Analysis of developments in revenues, expenses and other comprehensive income

Net interest revenues and non-interest financing revenues(1) in the first half of 2022 amounted to NIS 4,890 million, compared to NIS 3,981 million in the corresponding period last year, an increase by 22.8%.
Net interest revenues and non-interest financing revenues(1) in the second quarter of 2022 amounted to NIS 2,629 million, compared to NIS 2,101 million in the corresponding period last year, an increase by 25.1%.

Net interest revenues and non-interest financing revenues(1) from current operations in the first half of 2022, excluding the effect of Union Bank, amounted to NIS 3,868 million, as described below, compared to NIS 3,174 million in the corresponding period last year, an increase by 21.9%.

Net interest revenues and non-interest financing revenues(1) from current operations in the second quarter of 2022, amounted to NIS 2,053 million, as described below, compared to NIS 1,614 million in the corresponding period last year, an increase by 27.2%.

The increase in operating revenues in the first half of 2022 was primarily due to the increase in activity, including an increase by 17.3% in balance of loans to the public compared to the corresponding period last year, and due to higher interest rates in Israel and world-wide.

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

	2022		2021				Change rate in %
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Second quarter of 2022 to second quarter of 2021
Interest revenues, net	2,453	2,144	1,958	2,001	2,035	1,691	
Non-interest financing revenues(1)	176	117	83	63	66	189	
Total financing revenues	**2,629**	**2,261**	**2,041**	**2,064**	**2,101**	**1,880**	**25.1**
Net of:							
Effect of the Consumer Price Index	379	228	41	173	251	19	
Revenues from interest collected with respect to problematic debts	20	13	18	14	14	11	
Gains from realized bonds and available-for-sale securities and gains from bonds held for trading, net	(3)	21	27	13	13	62	
Effect of accounting treatment of derivatives at fair value and others(2)	180	184	214	193	209	228	
Total effects other than from current operations	**576**	**446**	**300**	**393**	**487**	**320**	
Total financing revenues from current operations	**2,053**	**1,815**	**1,741**	**1,671**	**1,614**	**1,560**	**27.2**

	Six months		
	2022	2021	Change rate (In %)
Interest revenues, net	4,597	3,726	23.4
Non-interest financing revenues(1)	293	255	
Total financing revenues	**4,890**	**3,981**	**22.8**

(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):

Operating segment	Second quarter 2022	Second quarter 2021	Change amount	Change rate (In %)
Private individuals:				
Households – residential mortgages	609	556	53	9.5
Households – other	434	357	77	21.6
Private banking	30	19	11	-
Total individuals	**1,073**	**932**	**141**	**15.1**
Business operations:				
Small and micro businesses	410	333	77	23.1
Medium businesses	109	85	24	28.2
Large businesses	186	159	27	17.0
Institutional investors	50	33	17	-
Total business activity	**755**	**610**	**145**	**23.8**
Financial management	717	505	212	42.0
Total activity in Israel	**2,545**	**2,047**	**498**	**24.3**
Overseas activity	84	54	30	-
Total	**2,629**	**2,101**	**528**	**25.1**

Operating segment	First half 2022	First half 2021	Change amount	Change rate (In %)
Private individuals:				
Households – residential mortgages	1,212	1,091	121	11.1
Households – other	796	718	78	10.9
Private banking	53	42	11	26.2
Total individuals	**2,061**	**1,851**	**210**	**11.3**
Business operations:				
Small and micro businesses	767	667	100	15.0
Medium businesses	202	170	32	18.8
Large businesses	342	301	41	13.6
Institutional investors	84	59	25	42.4
Total business activity	**1,395**	**1,197**	**198**	**16.5**
Financial management	1,295	830	465	56.0
Total activity in Israel	**4,751**	**3,878**	**873**	**22.5**
Overseas activity	139	103	36	35.0
Total	**4,890**	**3,981**	**909**	**22.8**

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

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

Linkage segment	Second quarter 2022	Second quarter 2021	Change in %	First half 2022	First half 2021	Change in %
Israeli currency – non-linked	283,764	259,754	9.2	276,337	252,117	9.6
Israeli currency – linked to the CPI	72,260	66,729	8.3	74,982	69,761	7.5
Foreign currency (including Israeli currency linked to foreign currency)	17,210	13,336	29.0	17,978	14,799	21.5
Total	**373,234**	**339,819**	**9.8**	**369,297**	**336,677**	**9.7**

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):

	Second quarter		First half	
Linkage segments	**2022**	**2021**	**2022**	**2021**
Israeli currency – non-linked	2.09	1.93	2.06	1.88
Israeli currency – linked to the CPI	1.21	1.18	1.35	1.40
Foreign currency	1.70	1.70	1.29	1.40
Total	**1.76**	**1.74**	**1.74**	**1.71**

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

Changes in interest spreads:

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

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

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

Expenses with respect to credit losses for the Group amounted to NIS 186 million in the first half of 2022, or an annualized rate of 0.12% of total loans to the public, net, compared to revenues with respect to credit losses amounting to NIS 227 million in the corresponding period last year – an annualized rate of 0.18% of total loans to the public, net in the corresponding period last year.

Expenses with respect to credit losses for the Group amounted to NIS 107 million in the second quarter of 2022, or an annualized rate of 0.14% of total loans to the public, net, compared to revenues with respect to credit losses amounting to NIS 240 million in the corresponding period last year – an annualized rate of 0.38% of total loans to the public, net in the corresponding period last year.

Expenses with respect to credit losses in the first half of 2022 were primarily due to increase in the group-based provision with respect to debts in good standing, due to growth of the Bank's business loan portfolio and residential mortgages portfolio. In the corresponding period last year, the Bank recognized revenues with respect to decrease in provision for credit losses, due to decrease in the group-based provision, against the background of improved macro-economic data and decrease in loan amount subject to repayment deferral due to the Corona Virus crisis.

Note that calculation of the group-based provision for credit losses takes into account the potential impact of changes in the macro-economic environment, including the impact of higher interest and, conversely, the lower unemployment. The net impact of these factors, which operate in opposed directions, is not material.

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

	Second quarter		Six months	
	2022	**2021**	**2022**	**2021**
Provision for credit losses on individual basis (including accounting write-offs):				
Increased expenses	107	93	188	207
Decreased expenses	(50)	(116)	(105)	(182)
Total individual provision	**57**	**(23)**	**83**	**25**
Provision for credit losses on group basis:				
with respect to residential mortgages(1)	38	(59)	52	(82)
Other	12	(158)	51	(170)
Total expenses with respect to credit losses	**107**	**(240)**	**186**	**(227)**
Rate of the expenses with respect to credit losses as percentage of total loans to the public, net (annualized):	**0.14%**	**(0.38%)**	**0.12%**	**(0.18%)**
Of which: With respect to commercial loans other than residential mortgages	**0.25%**	**(0.80%)**	**0.25%**	**(0.32%)**
Of which: with respect to residential mortgages	**0.08%**	**(0.14%)**	**0.05%**	**(0.10%)**

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

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

	Second quarter		First half		Rate of expenses with respect to credit losses(1) in the second quarter		Rate of expenses with respect to credit losses(1) in the first half	
Operating segment	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Private individuals:								
Households – residential mortgages	38	(59)	52	(82)	0.08	(0.14)	0.05	(0.10)
Households – other	17	(24)	32	(31)	0.26	(0.37)	0.24	(0.24)
Private banking	1	(1)	-	(4)	2.65	(1.91)	-	(3.83)
Total individuals	**56**	**(84)**	**84**	**(117)**	**0.10**	**(0.18)**	**0.08**	**(0.12)**
Business operations:					-	-	-	-
Small and micro businesses	12	(53)	25	(37)	0.14	(0.74)	0.15	(0.26)
Medium businesses	24	4	25	20	0.86	0.16	0.45	0.40
Large businesses	6	(92)	36	(57)	0.09	(1.82)	0.26	(0.56)
Institutional investors	(5)	(7)	(1)	(26)	(0.60)	(1.10)	(0.06)	(2.04)
Total business activity	**37**	**(148)**	**85**	**(100)**	**0.19**	**(0.97)**	**0.22**	**(0.33)**
Financial management	-	-	-	-	-	-	-	-
Total activity in Israel	**93**	**(232)**	**169**	**(217)**	**0.13**	**(0.37)**	**0.12**	**(0.17)**
Overseas activity	14	(8)	17	(10)	0.95	(0.91)	0.58	(0.57)
Total	**107**	**(240)**	**186**	**(227)**	**0.14**	**(0.38)**	**0.12**	**(0.18)**

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

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

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

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

Non-interest revenues in the first half of 2022 amounted to NIS 1,819 million, compared to NIS 1,342 million in the corresponding period last year, an increase by NIS 477 million.

Non-interest revenues amounted to NIS 750 million in the second quarter of 2022, compared with NIS 610 million in the corresponding period last year – an increase by NIS 140 million.

Composition of non-interest revenues is as follows:

Non-interest financing revenues in the first half of 2022 amounted to NIS 293 million, compared to NIS 255 million in the corresponding period last year.

Non-interest financing revenues in the second quarter of 2022 amounted to NIS 176 million, compared to NIS 66 million in the corresponding period last year.

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

Commission revenues amounted to NIS 1,028 million in the first half of 2022, compared with NIS 946 million in the corresponding period last year – a year-over-year increase by 8.7%.

Commission revenues in the second quarter of 2022 amounted to NIS 508 million, compared to NIS 469 million in the corresponding period last year – an increase by 8.3%.

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

	Second quarter		First half		All of
	2022	**2021**	**2022**	**2021**	**2021**
Account management	116	102	226	197	412
Activities involving securities	70	78	146	167	314
Conversion differences	83	74	168	149	306
Commissions from financing transactions	71	62	147	128	258
Credit cards	59	50	124	104	236
Credit processing(1)	39	42	79	70	152
Other commissions	70	61	138	131	269
Total commissions	**508**	**469**	**1,028**	**946**	**1,947**

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

Other revenues in the first half of 2022, amounted to NIS 498 million compared with NIS 141 million in the corresponding period last year – an increase by NIS 357 million.

Other revenues in the second quarter of 2022 amounted to NIS 66 million, compared to NIS 75 million in the corresponding period last year.

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

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

Operating and other expenses in the first half of 2022 amounted to NIS 2,830 million, compared to NIS 2,674 million in the corresponding period last year, an increase by 5.8%.

Operating and other expenses in the second quarter of 2022 amounted to NIS 1,442 million, compared to NIS 1,333 million in the corresponding period last year, an increase by 8.2%. For details by operating expense component, see below.

Payroll and associated expenses in the first half of 2022 amounted to NIS 1,833 million, compared to NIS 1,713 million in the corresponding period last year, an increase by 7.0%.

Payroll and associated expenses in the second quarter of 2022 amounted to NIS 924 million, compared to NIS 843 million in the corresponding period last year – an increase by 9.6%.

The growth rate in payroll expenses was also affected by variable remuneration items, due to the financial results in the first half of 2022.

Maintenance and depreciation expenses for buildings and equipment amounted to NIS 491 million in the first half of 2022, compared with NIS 485 million in the corresponding period last year – an increase by 1.2%.

Maintenance and depreciation expenses for buildings and equipment amounted to NIS 254 million in the second quarter of 2022, compared with NIS 245 million in the corresponding period last year – an increase by 3.7%.

Other expenses amounted to NIS 506 million in the first half of 2022, compared with NIS 476 million in the corresponding period last year – a year-over-year increase by 6.3%.

Other expenses in the second quarter of 2022 amounted to NIS 264 million, compared to NIS 245 million in the corresponding period last year – an increase by 7.8%.

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

	2022		2021			
	Second quarter	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Cost Income Ratio	45.0	(2)43.2	59.0	51.2	50.4	55.3

	First half		All of
	2022	**2021**	**2021**
Cost Income Ratio	(2)44.1	52.8	54.0

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

(2) Excluding capital gain from realized properties, the ratio in the first half and in the first quarter of 2022 was 46.8% and 48.8%, respectively.

Pre-tax profit for the Group amounted to NIS 3,400 million in the first half of 2022, compared with NIS 2,621 million in the corresponding period last year – an increase by 29.7%. For a detailed explanation, see above.

Group profit before taxes in the second quarter of 2022 amounted to NIS 1,654 million, compared to NIS 1,552 million in the corresponding period last year, an increase by 6.6%. For a detailed explanation, see above.

The provision rate for taxes on profit in the first half of 2022 was 33.6% – compared to 34.3% in the corresponding period last year.

The provision rate for taxes on profit in the second quarter of 2022 was 34.6% – compared to 34.8% in the corresponding period last year.

Bank share of after-tax profit of associates – in the first half of 2022 the Bank recognized gain with respect to associates amounting to NIS 2 million, compared to loss amounting to NIS 11 million in the corresponding period last year.

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

The share of the non-controlling interests in net results of subsidiaries attributable to Bank Yahav in the first half of 2022 amounted to NIS 54 million, compared to NIS 48 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 second quarter of 2022 amounted to NIS 30 million, compared to NIS 25 million in the corresponding period last year.

Net profit attributable to shareholders of the Bank in the first half of 2022 amounted to NIS 2,207 million, compared to NIS 1,664 million in the corresponding period last year.

Net profit attributable to shareholders of the Bank in the second quarter of 2022 amounted to NIS 1,053 million, compared to NIS 988 million in the corresponding period last year.

Shareholder equity of the Bank includes a decrease by NIS 191 million and by NIS 93 million in the first half and in the second quarter of this year, respectively, due to adjustments with respect to presentation of debentures available for sale at fair value ("Other comprehensive income attributable to shareholders of the Bank") and to adjustments with respect to employee benefits, compared to decrease by NIS 24 million and to increase by NIS 34 million in the corresponding periods last year. For more information see Note 4 to the financial statements.

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

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

	First half		All of
	2022	2021	2021
Net profit return on equity	(5)20.6	17.0	15.8

(1) Annualized. In conformity with Bank of Israel circular 2664-06, the calculation method for presenting return for interim periods has been revised. Comparative figures were revised accordingly. Net profit return on equity in 2021 using the old method was: For the first helf: 17.7%; For the first quarter: 14.1%; for the second quarter: 19.8%; for the third quarter: 16.2%; for the fourth quarter: 12.9%.

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

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

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

(5) Excluding effect of capital gain, net from sale of assets, net profit return on equity in the first half of 2022 and in the first quarter of 2022 is 18.2% and 16.6%, respectively.

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

	Second quarter		First half		All of
	2022	2021	2022	2021	2021
Basic earnings per share	4.11	3.87	8.65	6.52	12.47
Diluted earnings per share	4.09	3.85	8.61	6.50	12.35
Dividends per share	-	-	106	-	482

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

Assets and liabilities

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

				Change in % compared to	
		June 30	December 31	June 30	December 31
	2022	2021	2021	2021	2021
Total assets	416,969	374,370	392,271	11.4	6.3
Cash and deposits with banks	81,330	94,337	95,267	(13.8)	(14.6)
Loans to the public, net	298,233	254,236	271,428	17.3	9.9
Securities	22,384	17,539	15,033	27.6	48.9
Buildings and equipment	1,421	1,678	1,734	(15.3)	(18.1)
Deposits from the public	327,884	294,391	307,924	11.4	6.5
Deposits from banks	8,515	5,945	6,992	43.2	21.8
Bonds and subordinated notes	35,173	35,594	38,046	(1.2)	(7.6)
Shareholders' equity	22,166	20,444	20,770	8.4	6.7

Cash and deposits with banks – the balance of cash and deposits with banks decreased in the first half of 2022 by NIS 13.9 billion, as part of on-going management of Bank liquidity.

Loans to the public, net – loans to the public, net as of June 30, 2022 accounted for 72% of total assets, compared to 69% at the end of 2021. Loans to the public, net for the Group increased in the first half of 2022 by NIS 26.8 billion, an increase by 9.9%.

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	
		June 30	December 31	June 30	December 31
	2022	2021	2021	2021	2021
Israeli currency					
Non-linked	210,749	175,719	190,455	19.9	10.7
CPI-linked	72,921	67,405	69,534	8.2	4.9
Foreign currency, including linked to foreign currency	14,563	10,968	11,439	32.8	27.3
Non-monetary items	-	144	-	-	-
Total	**298,233**	**254,236**	**271,428**	**17.3**	**9.9**

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

				Change in % compared to	
		June 30	December 31	June 30	December 31
	2022	2021	2021	2021	2021
Private individuals:					
Households – residential mortgages	189,366	163,542	174,822	15.8	8.3
Households – other	26,477	25,664	25,948	3.2	2.0
Private banking	151	209	139	(27.8)	8.6
Total individuals	**215,994**	**189,415**	**200,909**	**14.0**	**7.5**
Business operations:				-	-
Small and micro businesses	33,627	28,607	30,245	17.5	11.2
Medium businesses	11,219	9,905	9,848	13.3	13.9
Large businesses	28,195	20,246	23,289	39.3	21.1
Institutional investors	3,317	2,550	2,939	30.1	12.9
Total business activity	**76,358**	**61,308**	**66,320**	**24.5**	**15.1**
Overseas activity	5,881	3,513	4,198	67.4	40.1
Total	**298,233**	**254,236**	**271,428**	**17.3**	**9.9**

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

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

Reported amounts (NIS in millions)								Credit risk[1]
	As of June 30, 2022				As of June 30, 2021			
	Comm-ercial	Resi-dential	Indivi-dual	Total	Comm-ercial	Resi-dential	Indivi-dual	Total
Credit risk at performing credit rating[2]								
On-balance sheet credit risk	86,696	186,113	25,323	298,132	65,242	162,402	23,728	251,372
Off-balance sheet credit risk[3]	52,380	18,854	14,207	85,441	50,687	20,288	13,597	84,572
Total credit risk at performing credit rating	**139,076**	**204,967**	**39,530**	**383,573**	**115,929**	**182,690**	**37,325**	**335,944**
Credit risk other than at performing credit rating								
A. Non-problematic	1,997	763	282	3,042	2,545	735	299	3,579
B. Problematic accruing	685	1,286	142	2,113	653	1,402	132	2,187
C. Problematic non-accruing	1,278	2,161	73	3,512	1,233	-	48	1,281
Total on-balance sheet credit risk other than at performing credit rating	**3,960**	**4,210**	**497**	**8,667**	**4,431**	**2,137**	**479**	**7,047**
Off-balance sheet credit risk[3] other than at performing credit rating	1,011	-	32	1,043	1,097	-	25	1,122
Total credit risk other than at performing credit rating	**4,971**	**4,210**	**529**	**9,710**	**5,528**	**2,137**	**504**	**8,169**
Of which: Accruing debts, in arrears 90 days or longer	108	-	35	143	25	1,331	19	1,375
Total credit risk, including risk to the public[4]	**144,047**	**209,177**	**40,059**	**393,283**	**121,457**	**184,827**	**37,829**	**344,113**
Non-performing assets[5]	**1,278**	**2,161**	**73**	**3,512**	**1,233**	**-**	**48**	**1,281**

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

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

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

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

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

(5) Assets not accruing interest.

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

Credit risk is composed of on-balance-sheet risk and off-balance-sheet credit risk, which are weighted by nature of the borrower and credit type, as per Bank of Israel directives. On-balance sheet risk includes balances of loans to the public, derivative instruments purchased by the public and Group investments in public bonds. Off-balance sheet credit risk includes guarantees and transactions in off-balance sheet instruments, commitments to extend credit and un-utilized credit facilities. Total credit risk to the public for the Bank Group as of June 30, 2022 amounted to NIS 394 billion, compared to NIS 362 billion as of December 31, 2021 – an increase by 8.8%.

For more information about credit risk with respect to individuals (excluding residential mortgages), credit risk in the construction and real estate economic sector in Israel and residential mortgage risk, see chapter "Credit risk".

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

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

	As of June 30, 2022				As of June 30, 2021			
	Commercial	Residential	Individual	Total	Commercial	Residential	Individual	Total
Analysis of quality of loans to the public								
Non-accruing credit as percentage of total loans to the public	1.46	1.14	0.28	1.15	1.77	-	0.20	0.49
Non-accruing credit in arrears 90 days or longer as percentage of total loans to the public	1.59	1.14	0.42	1.20	1.81	0.85	0.28	1.05
Problematic credit as percentage of total loans to the public	2.27	1.81	0.83	1.86	2.74	0.85	0.74	1.34
Credit not at performing credit rating as percentage of total loans to the public	5.87	2.21	2.05	3.23	8.16	1.30	2.08	3.19
Analysis of expenses with respect to credit losses for the reported period					-	-	-	-
Expenses with respect to credit losses as percentage of average balance of loans to the public	0.13	0.03	0.13	0.06	(0.16)	(0.05)	(0.15)	(0.09)
Net accounting write-offs as percentage of average balance of loans to the public	0.05	-	0.11	0.02	0.03	-	0.11	0.02
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	1.93	0.43	1.51	0.95	1.88	0.52	1.18	0.94
Provision for credit losses as percentage of total loans to the public non-accruing	132.6	38.2	534.2	82.2	105.8	-	595.8	193.4
Provision for credit losses as percentage of total loans to the public non-accruing or in arrears 90 days or longer	121.9	38.2	361.1	79.0	103.7	61.8	426.9	90.0
Expense (revenue) rate with respect to credit losses from net accounting write-offs	2.68	-	1.14	2.82	(5.55)	(41.00)	(1.35)	(4.75)

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

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

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

				Change in % compared to	
		June 30	December 31	June 30	December 31
	2022	2021	2021	2021	2021
Off-balance sheet financial instruments other than derivatives[(1)]:					
Unutilized debitory account and other credit facilities in accounts					
On-call, un-utilized	20,897	19,660	21,168	6.3	(1.3)
Guarantees to home buyers	19,585	13,197	16,582	48.4	18.1
Irrevocable commitments for loans approved but not yet granted	30,373	35,283	32,963	(13.9)	(7.9)
Unutilized revolving credit card facilities	11,259	10,445	10,643	7.8	5.8
Commitments to issue guarantees	9,010	10,949	9,351	(17.7)	(3.6)
Guarantees and other commitments	12,164	10,291	10,571	18.2	15.1
Loan guarantees	3,202	3,226	3,321	(0.7)	(3.6)
Documentary credit	367	341	430	7.6	(14.7)
Derivative financial instruments[(2)]:					
Total par value of derivative financial instruments	311,865	304,598	306,727	2.4	1.7
(On-balance sheet) assets with respect to derivative instruments	7,110	2,426	3,652	193.1	94.7
(On-balance sheet) liabilities with respect to derivative instruments	6,286	2,412	3,753	160.6	67.5

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

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

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

Securities – investment in securities increased in the first half of 2022 by NIS 7.4 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 adjust-ments	Fair value[(1)]
						June 30, 2022
Bonds held to maturity	3,409	3,409	-	10	(72)	3,347
Bonds available for sale	16,035	16,581	-	[(2)]53	[(2)](599)	16,035
Investment in shares not held for trading	690	595	-	[(3)]101	[(3)](6)	690
Securities held for trading	2,250	2,267	-	[(3)]9	[(3)](26)	2,250
Total securities	**22,384**	**22,852**	**-**	**173**	**(703)**	**22,322**
						June 30, 2021
Bonds held to maturity	3,410	3,410	-	63	(7)	3,466
Bonds available for sale	12,016	11,929	-	[(2)]140	[(2)](53)	12,016
Investment in shares not held for trading	623	457	-	[(3)]167	[(3)](1)	623
Securities held for trading	1,490	1,483	-	[(3)]16	[(3)](9)	1,490
Total securities	**17,539**	**17,279**		**386**	**(70)**	**17,595**
						December 31, 2021
Bonds held to maturity	2,934	2,934	-	66	(5)	2,995
Bonds available for sale	10,823	10,675	-	[(2)]192	[(2)](44)	10,823
Investment in shares not held for trading	706	574	-	[(3)]134	[(3)](2)	706
Securities held for trading	570	560	-	[(3)]17	[(3)](7)	570
Total securities	**15,033**	**14,743**		**409**	**(58)**	**15,094**

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

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

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

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

				Change in % compared to	
		June 30	December 31	June 30	December 31
	2022	2021	2021	2021	2021
Israeli currency					
Non-linked	8,120	9,731	6,728	(16.6)	20.7
CPI-linked	2,202	1,982	1,469	11.1	49.9
Foreign currency (including linked to foreign currency)	11,350	5,186	6,110	118.9	85.8
Non-monetary items	712	640	726	11.3	(1.9)
Total	**22,384**	**17,539**	**15,033**	**27.6**	**48.9**

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

			Carrying amount as of
	June 30, 2022	June 30, 2021	December 31, 2021
Government bonds:			
Government of Israel	11,774	14,239	10,421
US Government	7,574	884	2,035
Total Government bonds	**19,348**	**15,123**	**12,456**
Bonds of financial institutions in Israel:			
Total bonds of financial institutions in Israel	**869**	**487**	**601**
Bonds of banks in developed nations:			
USA	100	59	48
South Korea	72	102	67
Other	80	62	62
Total bonds of banks in developed nations	**252**	**223**	**177**
Corporate bonds (by economic sector):			
Rental property	466	453	473
Power, gas, steam and air conditioning	190	145	179
Construction	98	61	57
Mining and excavation	92	83	95
Industrial – chemical industry	57	60	58
Other	247	233	205
Total corporate bonds	**1,149**	**1,035**	**1,067**
Asset-backed corporate bonds (ABS)			
Mining and excavation	52	28	4
Others	2	3	2
Total asset-backed corporate bonds (ABS)	**54**	**31**	**6**
Shares and other securities			
Investment in shares not held for trading	690	623	706
Of which: Shares for which no fair value is available[1]	426	302	414
Shares and other securities held for trading	22	17	20
Total shares and other securities	**712**	**640**	**726**
Total securities	**22,384**	**17,539**	**15,033**

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

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

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

Deposits from the public – these account for 79% of total consolidated balance sheet as of June 30, 2022 compared to 78% as of December 31, 2021. In the first half of 2022, deposits from the public increased by NIS 20.0 billion, or 6.5%.

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

				Change in % compared to	
		June 30	December 31	June 30	December 31
	2022	2021	2021	2021	2021
Israeli currency					
Non-linked	244,484	222,075	233,149	10.1	4.9
CPI-linked	23,300	20,922	21,503	11.4	8.4
Foreign currency, including linked to foreign currency	60,100	51,250	53,272	17.3	12.8
Non-monetary items	-	144	-	-	-
Total	**327,884**	**294,391**	**307,924**	**11.4**	**6.5**

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

				Change in % compared to	
		June 30	December 31	June 30	December 31
	2022	2021	2021	2021	2021
Private individuals:					
Households – other	123,387	117,284	118,051	5.2	4.5
Private banking	24,029	21,393	21,664	12.3	10.9
Total individuals	**147,416**	**138,677**	**139,715**	**6.3**	**5.5**
Business operations:					
Small and micro businesses	55,875	48,538	50,247	15.1	11.2
Medium businesses	13,908	16,357	15,742	(15.0)	(11.7)
Large businesses	38,132	33,824	36,669	12.7	4.0
Institutional investors	66,998	53,060	61,365	26.3	9.2
Total business activity	**174,913**	**151,779**	**164,023**	**15.2**	**6.6**
Overseas activity	5,555	3,935	4,186	41.2	32.7
Total	**327,884**	**294,391**	**307,924**	**11.4**	**6.5**

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):

		June 30	December 31
	2022	2021	2021
Maximum deposit			
Up to 1	98,247	95,948	95,170
Over 1 to 10	83,530	76,255	78,746
Over 10 to 100	45,158	43,886	44,740
Over 100 to 500	36,060	37,455	36,591
Above 500	64,889	40,847	52,677
Total	**327,884**	**294,391**	**307,924**

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

Deposits from banks – The balance of deposits from banks as of June 30, 2022 amounted to NIS 8.5 billion, compared to NIS 7.0 billion as of December 31, 2021.

Bonds and subordinated notes – The balance of bonds and subordinated notes as of June 30, 2022 amounted to NIS 35.2 billion, a decrease by NIS 2.9 billion compared to the balance as of December 31, 2021. In the first half of 2022, bonds and subordinated notes were primarily affected by issuance amounting to NIS 2.4 billion, by early redemption of subordinated capital note (Series A), for consideration amounting to NIS 2.1 billion and by current maturities. For more information see chapter "Developments in financing sources" above.

Capital, capital adequacy and leverage

Shareholder equity attributable to shareholders of the Bank – Shareholder equity attributable to equity holders of the Bank as of June 30, 2022 amounted to NIS 22.2 billion, compared to NIS 20.8 billion and NIS 20.4 billion as of December 31, 2021 and as of June 30, 2021, an increase by 6.7% and 8.4%, respectively.

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

		June 30	December 31
	2022	**2021**	**2021**
Share capital and premium[1]	3,500	3,460	3,497
Capital reserve from benefit from share-based payment transactions	80	72	76
Cumulative other comprehensive loss[2][3]	(494)	(300)	(303)
Retained earnings [4]	19,080	17,212	17,500
Total	**22,166**	**20,444**	**20,770**

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

The ratio of shareholders' equity to total assets for the Group as of June 30, 2022 was 5.32% compared to 5.29% as of December 31, 2021 and 5.46% as of June 30, 2021.

Capital adequacy

Supervisory capital

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

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

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

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

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

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

Capital planning at the Bank

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

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

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

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

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

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

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

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

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

Ratio of capital to risk components

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

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

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

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

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

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

For more information about the circular concerning capital requirement with respect to loans to finance land, see chapter "Dividends" below.

For more information about the Board of Directors resolutions with regard to capital to risk components ratio and to dividend distribution policy, see Note 25 to the 2021 financial statements and the chapter "Dividends" below.

For more information see Note 9 to the financial statements.

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

	As of June 30		As of December 31
	2022	2021	2021
Capital for purpose of calculating the capital ratio			
Tier I shareholders' equity	23,567	21,783	21,969
Tier I capital	23,567	21,783	21,969
Tier II capital	7,988	8,484	7,914
Total capital	**31,555**	**30,267**	**29,883**
Weighted risk asset balances			
Credit risk	219,449	190,817	202,611
Market risks	1,843	2,681	2,268
Operational Risk	14,491	13,281	13,831
Total weighted risk asset balances	**235,783**	**206,779**	**218,710**

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

	June 30, 2022	June 30, 2021	December 31, 2021
Ratio of Tier I equity to risk components	10.00	10.53	10.04
Ratio of total capital to risk components	13.38	14.64	13.66
Minimum Tier I equity ratio required by Supervisor of Banks	9.62	8.63	8.60
Total minimum capital ratio required by the directives of the Supervisor of Banks	12.50	12.50	12.50

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

	As of June 30, 2022		As of June 30, 2021		As of December 31, 2021	
Exposure group	Weighted risk asset balances	Capital requirement(1)	Weighted risk asset balances	Capital requirement(2)	Weighted risk asset balances	Capital requirement(3)
Debts of sovereigns	37	5	127	16	99	12
Debts of public sector entities	487	61	359	45	556	70
Debts of banking corporations	1,818	227	1,296	162	1,475	184
Securities companies	825	103	267	33	287	36
Debts of corporations	72,228	9,029	57,544	7,193	61,969	7,746
Debts secured by commercial property	5,657	707	6,587	823	6,099	762
Retail exposures to individuals	20,265	2,533	18,566	2,321	19,412	2,427
Loans to small businesses	10,105	1,263	9,602	1,200	9,776	1,222
Residential mortgages	97,867	12,233	87,968	10,996	93,992	11,749
Other assets	9,089	1,136	8,095	1,012	8,417	1,052
Total	**218,378**	**27,297**	**190,411**	**23,801**	**202,082**	**25,260**

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

	As of June 30, 2022		As of June 30, 2021		As of December 31, 2021	
	Weighted risk asset balances	Capital requirement(1)	Weighted risk asset balances	Capital requirement(2)	Weighted risk asset balances	Capital requirement(3)
Market risk	1,843	230	2,681	335	2,268	284
CVA risk with respect to derivatives(4)	1,071	134	406	51	529	66
Operational Risk(5)	14,491	1,811	13,281	1,660	13,831	1,729
Total	**17,405**	**2,175**	**16,368**	**2,046**	**16,628**	**2,079**
Total risk assets	**235,783**	**29,472**	**206,779**	**25,847**	**218,710**	**27,339**

(1) Capital requirement calculated at 12.5% of risk asset balances. For more information about reduction of minimum capital ratios which banks are required to maintain in the normal course of business, by one percentage point, see Note 9 to the financial statements.

(2) Capital requirement calculated at 12.5% of risk asset balances.

(3) Capital requirement calculated at 12.5% of risk asset balances.

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

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

Leverage ratio

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

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

Nevertheless, in conformity with Proper Conduct of Banking Business Directive 250 concerning "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus" which includes, inter alia, the interim directive issued on November 15, 2020 whereby banking corporations shall maintain a leverage ratio of 4.5% or higher on consolidated basis.

In conformity with the foregoing, the minimum leverage ratio required of the Bank is 4.5%.

With regard to reduced leverage requirements, the relief shall remain in effect through December 31, 2023, provided that the leverage ratio would be no less than the leverage ratio as of June 30, 2022, or the minimum leverage ratio applicable to the banking corporation prior to the Interim Directive, whichever is lower.

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

For more information see Note 9 to the financial statements.

Below is the Bank's leverage ratio:

	As of June 30		As of December 31
	2022	**2021**	**2021**
Consolidated data			
Tier I capital	23,567	21,783	21,969
Total exposure	450,369	406,235	423,950
			In %
Leverage ratio	5.23	5.36	5.18
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Leverage ratio	5.58	5.27	5.55
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
Union Bank Le-Israel Ltd. and its subsidiaries			
Leverage ratio	11.42	6.49	8.37
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50

Dividends

Dividend distribution policy

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

Dividend distribution

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

Declaration date	Payment date	Dividends per share	Dividends as percent of profit	Total dividends paid
		(Agorot)		(NIS in millions)
February 24, 2020	March 11, 2020	74.89	0.40	176.0
Total dividend distributions in 2020[(3)]				**176.0**
August 16, 2021	August 31, 2021	188.99	[(1)]0.30	483.0
November 15, 2021	November 30, 2021	293.47	[(2)]0.30	752.7
Total dividends distributed in 2021[(4)]				**1,235.7**
February 28, 2022	March 15, 2022	105.89	0.40	271.6

(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 2020 earnings – NIS 483.0 million.
(4) Total dividends distributed with respect to 2021 earnings – NIS 752.7 million.

Dividends declared

On August 15, 2022, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 315.9 million, or 30% of earnings in the second quarter of 2022, in conformity with the Bank's dividend policy.

The dividends are 1230. 2% of issued share capital, i.e. NIS 123.02 per NIS 0.1 par value share. The effective date for dividends payment is August 23, 2022 and the payment date is August 30, 2022. The final dividends per share is subject to changes due to realized convertible securities of the Bank.

Other off-balance sheet activity

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

				Change in % compared to	
		June 30	December 31	June 30	December 31
	2022	2021	2021	2021	2021
Securities[1]	488,710	496,939	545,852	(1.7)	(10.5)
Assets of provident funds for which the Group provides operating services	125,772	107,825	125,960	16.6	(0.1)
Assets held in trust by Bank Group	73,381	68,148	78,783	7.7	(6.9)
Assets of mutual funds for which the Group provides operating services	11,871	13,031	13,564	(8.9)	(12.5)
Other assets under management[2]	18,673	18,314	17,732	2.0	5.3

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

(2) Including:

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

– Other loans managed by the Bank, including residential mortgages which the Bank manages and operates for others.

Financial information by operating segment

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

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

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

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

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

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

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

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

Supervisory segment definition.

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

Segment financial results (under "supervisory approach").

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

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

Financial information by supervisory operating segment

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

	Net profit		Percentage of total net profit	
	First half		First half	
	2022	**2021**	**2022**	**2021**
Private individuals:				
Households – residential mortgages	521	534	(13.0)	(2.4)
Households – other	(22)	(11)	(11.0)	-
Private banking	37	43	(6.0)	(14.0)
Total individuals	**536**	**566**	**(30.0)**	**(5.3)**
Business operations:				
Small and micro businesses	296	279	17.0	6.1
Medium businesses	70	66	4.0	6.1
Large businesses	151	160	(9.0)	(5.6)
Institutional investors	17	23	(6.0)	(26.1)
Total business activity	**534**	**528**	**6.0**	**1.1**
Financial management	1,070	505	565.0	-
Total activity in Israel	**2,140**	**1,599**	**541.0**	**33.8**
Overseas activity	67	65	2.0	3.1
Total	**2,207**	**1,664**	**543.0**	**32.6**

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 six months ended June 30
			2022			2021
						NIS in millions
	Other	Residential mortgages	Total	Other	Residential mortgages	Total
Profit and profitability						
Total interest revenues, net	796	1,212	2,008	718	1,091	1,809
Non-interest financing revenues	-	-	-	-	-	-
Commissions and other revenues	373	67	440	339	72	411
Total revenues	**1,169**	**1,279**	**2,448**	**1,057**	**1,163**	**2,220**
Expenses (income) with respect to credit losses	32	52	84	(31)	(82)	(113)
Operating and other expenses	1,122	443	1,565	1,069	432	1,501
Profit before provision for taxes	15	784	799	19	813	832
Provision for taxes	5	263	268	7	279	286
After-tax profit	10	521	531	12	534	546
Net profit:						
Attributable to non-controlling interests	(32)	-	(32)	(23)	-	(23)
Attributable to shareholders of the banking corporation	**(22)**	**521**	**499**	**(11)**	**534**	**523**
Balance sheet – key items:						
Loans to the public (end balance)	26,854	190,179	217,033	25,928	164,401	190,329
Loans to the public, net (end balance)	26,477	189,366	215,843	25,664	163,542	189,206
Deposits from the public (end balance)	123,387	-	123,387	117,284	-	117,284
Average balance of loans to the public	25,263	182,569	207,832	23,971	160,503	184,474
Average balance of deposits from the public	120,193	-	120,193	116,533	-	116,533
Average balance of risk assets	23,929	104,119	128,048	22,509	93,201	115,710
Credit spreads and deposit spreads:						
Margin from credit granting operations	494	1,160	1,654	476	1,036	1,512
Margin from activities of receiving deposits	297	-	297	226	-	226
Other	5	52	57	16	55	71
Total interest revenues, net	**796**	**1,212**	**2,008**	**718**	**1,091**	**1,809**

Contribution of the household segment (in conformity with the supervisory definitions) to Group profit in the first half of 2022 amounted to NIS 499 million, compared to NIS 523 million in the corresponding period last year.

Change in segment contribution is primarily due to the following:

Growth is primarily due to continued growth in the residential mortgages segment, an increase by NIS 22 billion in average balance of residential mortgages, as reflected in increase by NIS 121 million in Financing Revenues.

Conversely, expenses with respect to credit losses amounting to NIS 52 million were recorded, compared to revenues amounting to NIS 82 million in this item in the corresponding period last year.

Contribution of other household operations (other than residential mortgages) in the first half of 2022 amounted to a loss of NIS 22 million, compared to loss of NIS 11 million in the corresponding period last year.

Revenues increased by NIS 112 million, along with expenses with respect to credit losses amounting to NIS 32 million, compared to revenues of NIS 31 million in the corresponding period last year, for an increase in expenses by NIS 63 million in this item.

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

	For the three months ended June 30					
	2022			2021		
	NIS in millions					
	Other	Residential mortgages	Total	Other	Residential mortgages	Total
Profit and profitability						
Total interest revenues, net	434	609	1,043	357	556	913
Non-interest financing revenues	-	-	-	-	-	-
Commissions and other revenues	183	31	214	165	36	201
Total revenues	**617**	**640**	**1,257**	**522**	**592**	**1,114**
Expenses (income) with respect to credit losses	17	38	55	(24)	(59)	(83)
Operating and other expenses	571	218	789	542	221	763
Profit before provision for taxes	29	384	413	4	430	434
Provision for taxes	10	133	143	1	150	151
After-tax profit	19	251	270	3	280	283
Net profit:						
Attributable to non-controlling interests	(20)	-	(20)	(12)	-	(12)
Attributable to shareholders of the banking corporation	**(1)**	**251**	**250**	**(9)**	**280**	**271**
Balance sheet – key items:						
Loans to the public (end balance)	26,854	190,179	217,033	25,928	164,401	190,329
Loans to the public, net (end balance)	26,477	189,366	215,843	25,664	163,542	189,206
Deposits from the public (end balance)	123,387	-	123,387	117,284	-	117,284
Average balance of loans to the public	25,292	186,571	211,863	23,528	162,811	186,339
Average balance of deposits from the public	120,810	-	120,810	117,106	-	117,106
Average balance of risk assets	24,196	105,205	129,401	22,548	94,342	116,890
Credit spreads and deposit spreads:						
Margin from credit granting operations	251	582	833	238	525	763
Margin from activities of receiving deposits	180	-	180	111	-	111
Other	3	27	30	8	31	39
Total interest revenues, net	**434**	**609**	**1,043**	**357**	**556**	**913**

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 six months ended June 30		For the three months ended June 30	
	2022	2021	2022	2021
	NIS in millions			
Profit and profitability				
Total interest revenues, net	53	42	30	19
Non-interest financing revenues	-	-	-	-
Commissions and other revenues	14	35	8	19
Total revenues	**67**	**77**	**38**	**38**
Expenses (income) with respect to credit losses	-	(4)	1	(1)
Operating and other expenses	11	16	6	5
Profit (loss) before provision for taxes	56	65	31	34
Reduction of provision for taxes	19	22	11	12
Net profit	**37**	**43**	**20**	**22**
Balance sheet – key items:				
Loans to the public (end balance)	151	212	151	212
Loans to the public, net (end balance)	151	209	151	209
Deposits from the public (end balance)	24,029	21,393	24,029	21,393
Average balance of loans to the public	123	265	130	223
Average balance of deposits from the public	22,273	20,829	22,763	21,163
Average balance of risk assets	71	123	69	63
Credit spreads and deposit spreads:				
Margin from credit granting operations	1	1	-	-
Margin from activities of receiving deposits	50	37	29	18
Other	2	4	1	1
Total interest revenues, net	**53**	**42**	**30**	**19**

Operating results of the private banking segment (in conformity with the supervisory definitions) in the first half of 2022 amounted to profit of NIS 37 million, compared to profit of NIS 43 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.

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 six months ended June 30		For the three months ended June 30	
	2022	2021	2022	2021
	NIS in millions			
Profit and profitability				
Total interest revenues, net	767	664	410	332
Non-interest financing revenues	-	3	-	1
Commissions and other revenues	284	236	139	115
Total revenues	**1,051**	**903**	**549**	**448**
Expenses (income) with respect to credit losses	25	(37)	12	(53)
Operating and other expenses	575	511	295	257
Profit before provision for taxes	451	429	242	244
Provision for taxes	151	147	84	85
After-tax profit	**300**	**282**	**158**	**159**
Net profit attributed to non-controlling interests	(4)	(3)	(2)	(1)
Net profit attributable to shareholders of the banking corporation	**296**	**279**	**156**	**158**
Balance sheet – key items:				
Loans to the public (end balance)	34,493	29,140	34,493	29,140
Loans to the public, net (end balance)	33,627	28,607	33,627	28,607
Deposits from the public (end balance)	55,875	48,538	55,875	48,538
Average balance of loans to the public	32,219	29,655	33,100	29,675
Average balance of deposits from the public	53,245	45,863	54,783	46,036
Average balance of risk assets	29,092	27,389	29,956	27,183
Credit spreads and deposit spreads:				
Margin from credit granting operations	640	577	332	291
Margin from activities of receiving deposits	105	60	69	30
Other	22	27	9	11
Total interest revenues, net	**767**	**664**	**410**	**332**

Contribution of the micro and small business segment (in conformity with supervisory definitions) to Group profit in the first half of 2022 amounted to NIS 296 million, compared to NIS 279 million in the corresponding period last year.

Growth is primarily due to higher average loan balances in this segment, increase by NIS 2.5 billion in average balance of loans to the public, reflecting increase in expenses with respect to credit losses by NIS 62 million.

In the first half of 2021, expenses with respect to credit losses amounted to NIS 25 million, compared to revenues of NIS 37 million in the corresponding period last year, primarily due to adjustment of group-based provision for growth in the loan portfolio, compared to the corresponding period last year, when the provision was primarily impacted by gradual emergence from the Corona Virus crisis.

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

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

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 six months ended June 30		For the three months ended June 30	
	2022	**2021**	**2022**	**2021**
	NIS in millions			
Profit and profitability				
Total interest revenues, net	203	170	110	85
Non-interest financing revenues (expenses)	(1)	-	(1)	-
Commissions and other revenues	51	58	25	32
Total revenues	**253**	**228**	**134**	**117**
Expenses (income) with respect to credit losses	25	20	24	4
Operating and other expenses	123	108	66	54
Profit before provision for taxes	105	100	44	59
Provision for taxes	35	34	15	21
Net profit	**70**	**66**	**29**	**38**
Balance sheet – key items:				
Loans to the public (end balance)	11,476	10,119	11,476	10,119
Loans to the public, net (end balance)	11,219	9,905	11,219	9,905
Deposits from the public (end balance)	13,908	16,357	13,908	16,357
Average balance of loans to the public	11,036	9,627	11,759	9,885
Average balance of deposits from the public	14,438	16,101	14,114	16,921
Average balance of risk assets	13,207	11,770	13,342	11,715
Credit spreads and deposit spreads:				
Margin from credit granting operations	172	141	92	70
Margin from activities of receiving deposits	26	22	16	11
Other	5	7	2	4
Total interest revenues, net	**203**	**170**	**110**	**85**

Operating results of the medium business segment (in conformity with supervisory definitions) in the first half of 2022 amounted to loss of NIS 70 million, compared to profit of NIS 66 million in the corresponding period last year.

The increase in profit is attributed to financing activity in this segment, due to increase of the average balance of loans to the public by NIS 1.4 billion.

Expenses with respect to credit losses and other operating expenses saw non-material changes.

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 six months ended June 30		For the three months ended June 30	
	2022	**2021**	**2022**	**2021**
	NIS in millions			
Profit and profitability				
Total interest revenues, net	341	300	186	161
Non-interest financing revenues	1	1	-	(2)
Commissions and other revenues	100	77	44	39
Total revenues	**442**	**378**	**230**	**198**
Expenses (income) with respect to credit losses	36	(57)	6	(92)
Operating and other expenses	179	191	91	96
Profit before provision for taxes	227	244	133	194
Provision for taxes	76	84	46	68
Net profit	**151**	**160**	**87**	**126**
Balance sheet – key items:				
Loans to the public (end balance)	28,460	20,537	28,460	20,537
Loans to the public, net (end balance)	28,195	20,246	28,195	20,246
Deposits from the public (end balance)	38,132	33,824	38,132	33,824
Average balance of loans to the public	25,166	21,908	26,820	23,176
Average balance of deposits from the public	36,372	39,487	37,521	41,906
Average balance of risk assets	35,383	29,377	36,270	29,675
Credit spreads and deposit spreads:				
Margin from credit granting operations	276	253	147	129
Margin from activities of receiving deposits	46	23	29	11
Other	19	24	10	21
Total interest revenues, net	**341**	**300**	**186**	**161**

Contribution of the large business segment (in conformity with the supervisory definitions) in the first half of 2022 amounted to profit of NIS 151 million, compared to NIS 160 million in the corresponding period last year.

The increase in net profit is primarily attributed to increase in financing revenues by NIS 41 million, and increase in commissions and other revenues by NIS 23 million, due to increase in average loan balance by NIS 3.3 billion, as well as increase in expenses with respect to credit losses by NIS 93 million, primarily due to adjustment of group-based provision for growth in the loan portfolio, compared to the corresponding period last year, when the provision was primarily impacted by gradual emergence from the Corona Virus crisis.

Operating and other expenses decreased by NIS 12 million compared to 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.

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 six months ended June 30		For the three months ended June 30	
	2022	**2021**	**2022**	**2021**
	NIS in millions			
Profit and profitability				
Total interest revenues, net	84	57	50	33
Non-interest financing revenues	-	2	-	-
Commissions and other revenues	26	27	11	13
Total revenues	**110**	**86**	**61**	**46**
Expenses (income) with respect to credit losses	(1)	(26)	(5)	(7)
Operating and other expenses	86	77	48	41
Profit before provision for taxes	25	35	18	12
Provision for taxes	8	12	6	4
Net profit	**17**	**23**	**12**	**8**
Balance sheet – key items:				
Loans to the public (end balance)	3,321	2,560	3,321	2,560
Loans to the public, net (end balance)	3,317	2,550	3,317	2,550
Deposits from the public (end balance)	66,998	53,060	66,998	53,060
Average balance of loans to the public	2,007	1,704	2,008	1,860
Average balance of deposits from the public	61,646	49,173	63,518	51,165
Average balance of risk assets	1,954	2,467	2,217	2,517
Credit spreads and deposit spreads:				
Margin from credit granting operations	14	12	7	7
Margin from activities of receiving deposits	59	31	41	17
Other	11	14	2	9
Total interest revenues, net	**84**	**57**	**50**	**33**

Contribution of the institutional investor segment (in conformity with supervisory definitions) in the first half of 2022 amounted to a profit of NIS 17 million, compared to a profit of NIS 23 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 six months ended June 30		For the three months ended June 30	
	2022	**2021**	**2022**	**2021**
	NIS in millions			
Profit and profitability				
Interest revenues (expenses), net	1,016	584	553	441
Non-interest financing revenues	279	246	164	64
Commissions and other revenues	594	221	121	109
Total revenues	**1,889**	**1,051**	**838**	**614**
Expenses with respect to credit losses	-	-	-	-
Operating and other expenses	255	234	129	104
Profit before provision for taxes	1,634	817	709	510
Provision for taxes	548	279	245	176
After-tax profit	1,086	538	464	334
Share of banking corporation in earnings of associated companies	2	(11)	1	1
Net profit before attribution to non-controlling interests	1,088	527	465	335
Net profit attributed to non-controlling interests	(18)	(22)	(8)	(12)
Net profit (loss) attributable to shareholders of the banking corporation	**1,070**	**505**	**457**	**323**
Balance sheet – key items:				
Average balance of risk assets	13,041	12,161	13,403	12,597
Credit spreads and deposit spreads:				
Margin from credit granting operations	-	-	-	-
Margin from activities of receiving deposits	-	-	-	-
Other	1,016	584	553	441
Total interest revenues, net	**1,016**	**584**	**553**	**441**

Operating results of the financial management segment (in conformity with the supervisory definitions) in the first half of 2022 amounted to profit of NIS 1,070 million, compared to NIS 505 million in the corresponding period last year.

The increase is primarily due to increase in financing revenues, primarily due to the effect of the Consumer Price Index, and the effect of accounting treatment of derivative instruments at fair value.

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

Other revenues in this segment also include capital gain from realized real estate properties in the first half of 2022, amounting to NIS 279 million.

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 six months ended June 30		For the three months ended June 30	
	2022	2021	2022	2021
	NIS in millions			
Profit and profitability				
Total interest revenues, net	125	100	71	51
Non-interest financing revenues	14	3	13	3
Commissions and other revenues	17	22	12	16
Total revenues	**156**	**125**	**96**	**70**
Expenses (income) with respect to credit losses	17	(10)	14	(8)
Operating and other expenses	36	36	18	13
Profit before provision for taxes	103	99	64	65
Provision for taxes	36	34	22	23
Net profit	**67**	**65**	**42**	**42**
Balance sheet – key items:				
Loans to the public (end balance)	5,937	3,544	5,937	3,544
Loans to the public, net (end balance)	5,881	3,513	5,881	3,513
Deposits from the public (end balance)	5,555	3,935	5,555	3,935
Average balance of loans to the public	4,669	3,384	4,965	3,347
Average balance of deposits from the public	4,766	4,192	5,037	3,977
Average balance of risk assets	6,136	4,736	6,385	4,717
Credit spreads and deposit spreads:				
Margin from credit granting operations	99	28	3	1
Margin from activities of receiving deposits	4	3	(2)	-
Other	22	69	70	50
Total interest revenues, net	**125**	**100**	**71**	**51**

Contribution of overseas operations to Group profit in the first half of 2022 amounted to NIS 67 million, compared to NIS 65 million in the corresponding period last year.

The change was primarily due to increase in segment contribution, due to higher average loan balances in this segment, reflected in increase by NIS 25 million in financing revenues, offset by increase in expenses with respect to credit losses by NIS 27 million compared to 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.

Principal investee companies

The contribution of investees to net operating profit in the first half of 2022 amounted to NIS 333 million, compared with NIS 212 million in the corresponding period last year. These data include effects of changes in exchange rates on investment balances in overseas investee companies, covered by the Bank itself.

Excluding the aforesaid effect of exchange rates, contribution of investee companies amounted to NIS 313 million, compared to NIS 215 million in the corresponding period last year – see explanation under "Investee companies" below.

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

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

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

Contribution of Union Bank to Group profit in the first half of 2022 amounted to NIS 227 million (Union Bank profit includes, other than current profit, also profit from realized assets), as well as NIS 108 million with respect to acquisition of Union Bank which is recognized on profit and loss over 5 years as from the fourth quarter of 2020.

Union Bank reported total assets as of June 30, 2022 amounted to NIS 26,506 million, compared to NIS 34,620 million as of December 31, 2021 – a decrease by NIS 8,114 million, or 23.4%. Net loans to the public reported as of June 30, 2022 amounted to NIS 13,875 million, compared to NIS 18,592 million as of December 31, 2021 – a decrease by NIS 4,717 million, or 25.4%, net deposits from the public reported as of June 30, 2022 amounted to NIS 8,331 million, compared to NIS 24,822 million as of December 31, 2021 – a decrease by NIS 16,491 million, or 66.4%, due to gradual transfer of lending operations from Union Bank to Mizrahi Tefahot.

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

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

The Group's share of Bank Yahav's net profit in the first half of 2022 amounted to NIS 53 million, compared to NIS 48 million in the corresponding period last year. Bank Yahav's net profit return on equity in the first half of 2022 was 11.9% on annualized basis, compared to 11.2% in the corresponding period last year.

Bank Yahav's balance sheet total as of June 30, 2022 amounted to NIS 35,625 million, compared to NIS 33,759 million as of December 31, 2021 – an increase by NIS 1,866 million, or 5.5%. Net loans to the public as of June 30, 2022 amounted to NIS 11,600 million, compared to NIS 11,129 million as of December 31, 2021 – an increase by NIS 471 million, or 4.2%. Net deposits from the public as of June 30, 2022 amounted to NIS 31,789 million, compared to NIS 29,991 million as of December 31, 2021 – an increase by NIS 1,807 million, or 6.0%.

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 half of 2022 amounted to NIS 34 million, compared to NIS 33 million in the corresponding period last year.

Net profit return on equity in the first half of 2022 was 5.3%, compared to 5.5% 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 half of 2022 NIS 7 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.

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

Bank investments in shares as of June 30, 2022 amounted to NIS 821 million, compared to NIS 659 million and NIS 795 million as of June 30, 2021 and as of December 31, 2021, respectively. Bank net investment in shares in the first half of 2022 amounted to a loss of NIS 33 million, compared to profit of NIS 96 million in the corresponding period last year.

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

Risks overview

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

Risk development and management

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

In the second quarter of 2022 there was no change to risk assessment and to risk profile of the Bank. Risk levels remained un-changed from previous quarters.

In the second quarter of 2022, the overall effect of credit risk and risk associated with quality of borrowers and collateral remained Medium, with a decrease in effects of the Corona Virus pandemic on economic activity in Israel and world-wide. However, there is still uncertainty with regard to future outbreaks of the virus, its future attributes and potential future impact on business and economic activity. The Bank continues to monitor these effects. However, the continued Russia-Ukraine war and macro-economic changes in Israel and world-wide increase uncertainty in the market. Interest rates continue to rise, and are expected to further rise through the end of this year. Moreover, inflation in Israel and world-wide continues to be high, primarily due to higher energy and commodity prices around the world. These changes may also affect Bank operations, increase borrowing costs and affect credit risk management. Due to uncertainty with regard to developments in the macro-economic environment and their impact on the Bank, credit risk remains at Medium. The Bank regularly analyzes and monitors the potential impact of such changes on Bank operations.

Corona Virus crisis

In the second quarter, the Bank continued to address the Corona Virus and maintained work instructions derived from guidance issued by the Ministry of Health and by the Bank of Israel, including the following: Maintaining hygiene and social distancing, barriers at public service counters and continued remote work as needed based on a rapid, structured process.

The Bank is in a state of high readiness for business continuity in case of emergency. In the second quarter of 2022, the Bank maintained business continuity under a routine state of alert. The state of alert was raised to Increased in the first quarter of 2022 as the Omicron variant outbreak proliferated. In April, as morbidity rates decreased and with reduced restrictions pursuant to Ministry of Health policy, the Bank lowered its state of alert to "Routine". However, the Bank continues to follow and monitor the state of morbidity at the Bank and maintains all emergency systems on alert in case of a renewed outbreak.

Russia – Ukraine crisis

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

Union Bank merger

On September 30, 2020, the proposed exchange tender for Union Bank shares was concluded. The merger transaction is a material, large-scale and highly complex process which entails a wide range of risks. The merger process was launched in the fourth quarter of 2020 and is carried out by several extensive joint work teams of Bank Mizrahi Tefahot and Union Bank, managed by a steering committee headed by the Bank President & CEO, with administrations established to carry out the merger plan and a designated Board committee established to supervise this process. Risk management is an integral and dynamic part of all work teams, and the Group's Chief Risks Officer reviews and integrates all risks of the merger process and the measures applied to reduce and manage such risk. The Bank's Risk Control Division and Internal Audit regularly accompany the merger process and conduct control and lesson learning processes.

Accompanying the merger process includes current management of the risk map, applying comprehensive second-line operating controls and regular quarterly review of the status of all comprehensive controls applied by the various lines of defense at Bank Mizrahi Tefahot and at Union Bank. Risks Control also conducts a comprehensive process of lesson learning upon completing each conversion round; the conclusions from this process are brought for discussion by Bank management, by the Union Bank Merger Board committee.

As part of preparations for the merger, both banks are acting, as from the second quarter of 2021, to convert customers from Union Bank to the Bank, and to transfer various activities of Union Bank to the Bank. Due to the merger, most of the branches have been closed.

Union Bank has a long-standing contract with Bank Leumi for obtaining IT and operating services, which has been extended from time to time. On May 12, 2020, the Board of Directors of Union Bank approved contracting an addendum to the agreement, whereby the parties agreed, inter alia, that the agreement would be extended through December 31, 2022.

The Technology Division runs a program consisting of multiple projects designed to transfer Union Bank activity that is based on Bank Leumi and Union Bank systems and integrating them with the Bank's systems. These projects include conversion of customers, products, historical information, reports and so forth.

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

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

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

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

The effective start date of amendments to this directive is August 31, 2022 and the Bank is preparing for implementation of this directive in various business and operating aspects.

Risks description

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

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

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

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

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

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

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

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

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

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

Description of risk appetite and risks management

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

Use of stress scenarios in risk management

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

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

ICAAP process (Internal Capital Adequacy Assessment Process)

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

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

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

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

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

System-wide scenario

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

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

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

Risk factor severity

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

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

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

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

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

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

In the second quarter of 2022 there was no change to risk assessment and to risk profile of the Bank.

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

The effects of the Corona Virus pandemic on global and local economic activity diminished. However, there is still uncertainty with regard to future outbreaks of the virus, its future attributes and potential future impact on business and economic activity. The Bank continues to monitor these effects. However, the continued Russia-Ukraine war and macro-economic changes in Israel and world-wide increase uncertainty in the market. Interest rates continue to rise, and are expected to further rise through the end of this year. Moreover, inflation in Israel and world-wide continues to be high, primarily due to higher energy and commodity prices around the world. These changes may also affect Bank operations, increase borrowing costs and affect credit risk management. Due to uncertainty with regard to developments in the macro-economic environment and their impact on the Bank, credit risk remains at Medium. The Bank regularly analyzes and monitors the potential impact of such changes on Bank operations, from both financial and credit aspects.

The assessment of the total impact of credit risks and sector concentration includes the risk assessment with respect to Bank exposure to the construction and real estate sector. The Bank is mostly focused on extending credit for construction using the financial support method (closed assistance). Most of the credit risk in the construction and real estate sector is backed by real estate fully pledged to secure loan repayment, and for credit not secured by real estate collateral, there is other collateral in place, such as: deposits, securities etc.

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

On May 15, 2022, the Supervisor of Banks issued an update to Proper Conduct of Banking Business Directive 203, whereby loans designated for purchase of land for development or construction, with an LTV higher than 80% of value of the acquired property, shall carry a risk weighting of 150%, instead of 100%. The full capital allocation may be conducted in the third quarter of 2022, or may be apportioned as from the third quarter of 2022, over four quarters, so as to have the capital requirement be fully reflected on June 30, 2023. The Bank is preparing to implement the directive.

Market risk and interest risk remained Low-medium, despite further increase in interest rates and in the capitalization curves, which resulted in somewhat higher risk. The Bank monitors the potential impact on Bank operations.

Technology risk and cyber and information security risk are material risks for the Bank, and the potential damage due to materialization of such risk may be significant under normal circumstances, and even more so during emergencies. Technological activity is focused on changing needs in line with the Bank's business strategy, and taking most of the steps to mitigate potential risk in as much as possible. In actual fact, there were no material events related to technology and to cyber and information security. Note, however, that computer systems at Bank Yahav were unavailable on June 30, 2022 through 10:30 am, due to maintenance work which lasted longer than planned. No unusual events occurred due to this unavailability and bank customers received full service.

In the second quarter of 2022, liquidity risk remained Low-medium. In the quarter, the alert level at the Bank was raised to Yellow, due to the continued war between Russia and the Ukraine and due to market volatility and further interest rate hikes. In practice, no events and/or indications were observed which would indicate realization of a liquidity event. In the second quarter of 2022, the Bank maintained appropriate liquidity by investing excess liquidity in liquid assets of very high quality – Level 1 assets. The average liquidity coverage ratio (consolidated, including data for Union Bank) for the second quarter of 2022 was 120%. Net stable funding ratio (on consolidated basis) as of June 30, 2022 was 114%. No deviations from the risk appetite limitations were recorded.

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

Reputational risk remained Low, with the Bank constantly monitoring various benchmarks and indicators with regard to the Bank's reputation, including impact of the Union Bank merger, and the customer conversion process which started in the second quarter of 2021. There was no material impact on the Bank's reputational risk.

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

Credit risk

Risk description and development thereof

Credit risk is the risk that a borrower or counter party of the Bank would not meet their obligations to the Bank. Credit risk is a material risk for Bank operations. This risk is affected by these major factors: Business risk due to customer activities, concentration risk due to over-exposure to a borrower / borrower group and to economic sectors, geographic concentration risk, risk due to exogenous changes which mostly involve changes to the borrower's macro-economic environment, environmental risks and climate risks, overseas credit risks and operational risks which, should they materialize, would have implications for credit risks. This risk is also inter-related with some other risks, such as: market and interest risk, liquidity risk, compliance risk and other risks. Credit is at the core of banking activity, and therefore this is the primary risk of all risk types addressed by the banking system. Consequently, the lion's share of capital allocated in Pillar 1 is due to credit risk.

The overall effect of commercial credit risk remained unchanged at Medium, similar to the risk level at end of 2021 and in previous quarters.

In the second quarter of 2022, the overall effect of credit risk and risk associated with quality of borrowers and collateral remained Medium, with a decrease in effects of the Corona Virus pandemic on economic activity in Israel and world-wide. However, there is still uncertainty with regard to future outbreaks of the virus, its future attributes and potential future impact on business and economic activity. The Bank continues to monitor these effects. However, the continued Russia-Ukraine war and macro-economic changes in Israel and world-wide increase uncertainty in the market. Interest rates continue to rise, and are expected to further rise through the end of this year. Moreover, inflation in Israel and world-wide continues to be high, primarily due to higher energy and commodity prices around the world. These changes may also affect Bank operations, increase borrowing costs and affect credit risk management. Due to uncertainty with regard to developments in the macro-economic environment and their impact on the Bank, credit risk remains at Medium. The Bank regularly analyzes and monitors the potential impact of such changes on Bank operations, from both financial and credit aspects.

In the second quarter of 2021, the risk level in the residential mortgage portfolio decreased to its pre-crisis level of Low risk, in view of the material decrease in volume of loans subject to deferral and with most of the customers subject to deferral resuming regular payments.

The Bank regularly monitors the risk in this portfolio, and has tested stress scenarios to review the potential impact to the Bank under a scenario assuming higher interest rates and higher inflation. The results of this scenario indicate a low risk level in the residential mortgages portfolio.

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 June 30, 2022, the Bank had no borrower group which meets the aforementioned criteria.

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

Major borrowers

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

Borrower no.	Economic sector	On-balance sheet credit risk(1)	Off-balance sheet credit risk(1)	Total credit risk(1)
1.	Financial services	816	605	1,421
2.	Financial services	-	1,200	1,200
3.	Construction and real estate	1,031	164	1,195
4.	Power	1,005	48	1,053
5.	Construction and real estate	396	592	988
6.	Power	561	319	880

(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 Accounting 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):

	June 30, 2022				June 30, 2021				December 31, 2021			
Economic sector of acquired company	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**
Construction and real estate	333	1	334	-	575	-	575	-	762	1	763	-
Mining and excavation	-	342	342	-	-	-	-	-	-	180	180	-
Financial services	-	-	-	-	270	-	270	-	-	-	-	-
Total	333	343	676	-	845	-	845	-	762	181	943	-

Credit to leveraged companies (NIS in millions):

	June 30, 2022				June 30, 2021				December 31, 2021			
Economic sector of borrower	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**	**On-balance sheet credit risk**	**Off-balance sheet credit risk**	**Total credit risk**	**Individual provision for credit losses**
Construction and real estate	-	-	-	-	26	-	26	-	26	-	26	-
Power	-	-	-	-	100	-	100	-	100	-	100	-
Commerce	138	55	193	-	63	12	75	25	92	46	138	-
Transport and storage	564	60	624	49	122	7	129	39	112	25	137	49
Financial services	-	-	-	-	-	-	-	-	-	-	-	-
Public and community services	-	-	-	-	150	8	158	-	164	8	172	-
Total	**702**	**115**	**817**	**49**	**461**	**27**	**488**	**64**	**494**	**79**	**573**	**49**

Developments in problematic credit risk

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

	Total credit risk		
	June 30, 2022	**June 30, 2021**	**December 31, 2021**
Problematic credit risk:			
Non-accruing credit risk(1)	3,564	1,340	1,330
Accruing problematic credit risk – non-housing	899	877	1,020
Accruing problematic credit risk – housing(1)	1,301	1,402	1,300
Total problematic credit risk	**5,764**	**3,619**	**3,650**

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

	June 30, 2022	**June 30, 2021**	**December 31, 2021**
Non-accruing loans to the public as percentage of total loans to the public	1.2	0.5	0.5
Non-accruing loans to the public as percentage of total non-residential mortgages	1.2	1.4	1.3
Ratio of problematic loans to the public to total non-residential mortgages	1.9	2.2	2.2
Ratio of residential mortgages in arrears 90 days or longer to total loans to the public(2)	0.4	0.5	0.5
Ratio of problematic credit risk to total credit risk with respect to the public	1.5	1.1	1.0

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

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

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

	As of June 30, 2022							
	Debts subject to repayment deferral				Further details of recorded debt balance of debts subject to deferred repayment			
					Non-problematic debts			
Loans to the public	Recorded debt balance	Number of loans	Payment amounts deferred	Proble-matic debts	Debts not at performing credit rating	Debts at performing credit rating, in arrears 30 days or longer	Debts at performing credit rating, not in arrears	Total non-problematic debts
Large businesses	12	3	8	-	-	-	12	12
Medium businesses	42	6	5	5	-	-	37	37
Small businesses	196	219	40	2	-	1	193	194
Private individuals	1	30	1	-	-	-	1	1
Residential mortgages	5,309	(1)6,194	586	247	101	80	4,881	5,062
Total as of June 30, 2022	**5,560**	**6,452**	**640**	**(2)254**	**101**	**81**	**5,124**	**5,306**
Of which, with respect to complete deferral	**261**	**268**	**55**	**8**	**-**	**1**	**243**	**244**
Of which, with respect to partial delay in conformity with the Bank of Israel outline	**5,299**	**6,184**	**585**	**246**	**101**	**80**	**4,881**	**5,062**
Total as of December 31, 2021	**6,598**	**8,258**	**791**	**297**	**181**	**103**	**6,017**	**6,301**
Total as of June 30, 2021	**8,338**	**11,271**	**988**	**319**	**157**	**101**	**7,761**	**8,019**

	As of June 30, 2022				
	Further details of debts subject to repayment deferral, by repayment deferral period(3)		Debt for which the payment deferral period has expired, as of the report date		Credit provided in State funds
	Non-problematic debts				
Loans to the public	Debts subject to deferral of 3 to 6 months	Debts subject to deferral of 6 months or longer	Recorded debt balance	Of which: In arrears 30 days or longer	Recorded debt balance
Large businesses	-	12	941	-	611
Medium businesses	-	37	183	22	392
Small businesses	1	193	2,056	71	3,029
Private individuals	1	-	717	6	-
Residential mortgages	109	4,953	31,978	660	-
Total as of June 30, 2022	**111**	**5,195**	**35,875**	**759**	**4,032**
Of which, with respect to complete deferral	**2**	**242**	**32,828**	**615**	**-**
Of which, with respect to partial delay in conformity with the Bank of Israel outline	**109**	**4,953**	**3,047**	**144**	**-**
Total as of December 31, 2021	**121**	**6,180**	**36,959**	**712**	**4,687**
Total as of June 30, 2021	**432**	**7,505**	**39,823**	**696**	**5,127**

(1) Number of Borrowers.
(2) Of which: As of June 30, 2022, there are no non-accruing debts. (as of June 30, 2021: NIS 7 million; as of December 31, 2021: NIS 1 million).
(3) The repayment deferral period is the cumulative deferral period granted to debt since the start of the Corona Virus crisis, excluding any deferral to which the borrower is entitled by law.

Analysis of change to non-accruing debts

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

Movement in non-accruing loans to the public	**For the six months ended June 30, 2022**				**For the six months ended June 30, 2021**				**For the year ended December 31, 2021**			
	Comm-ercial	**Resi-dential**	**Indivi-dual**	**Total**	**Comm-ercial**	**Resi-dential**	**Indivi-dual**	**Total**	**Comm-ercial**	**Resi-dential**	**Indivi-dual**	**Total**
Non-accruing loans to the public – balance at start of period	1,193	-	56	1,249	1,423	-	68	1,491	1,423	-	68	1,491
Effect of initial application of rules for identification and classification of problematic debts(1)	-	2,005	-	2,005	-	-	-	-	-	-	-	-
Loans classified as non-accruing during the period	351	160	40	551	262	-	15	277	460	-	26	486
Loans resuming accrual of interest revenues during the period	(55)	(2)	(7)	(64)	(34)	-	(1)	(35)	(315)	-	(5)	(320)
Loans subject to accounting write-off	(75)	-	(7)	(82)	(89)	-	(17)	(106)	(225)	-	(27)	(252)
Loans repaid	(178)	(2)	(9)	(189)	(387)	-	(24)	(411)	(288)	-	(24)	(312)
Other changes	-	-	-	-	26	-	7	33	138	-	18	156
Non-accruing debt balance at end of period	**1,236**	**2,161**	**73**	**3,470**	**1,201**	**-**	**48**	**1,249**	**1,193**	**-**	**56**	**1,249**

Of which: Movement in non-accruing credit subject to re-structuring	**For the six months ended June 30, 2022**				**For the six months ended June 30, 2021**				**For the year ended December 31, 2021**			
	Comm-ercial	**Resi-dential**	**Indivi-dual**	**Total**	**Comm-ercial**	**Resi-dential**	**Indivi-dual**	**Total**	**Comm-ercial**	**Resi-dential**	**Indivi-dual**	**Total**
Non-accruing credit balance subject to re-structuring – at start of period	367	-	31	398	418	-	41	459	418	-	41	459
Effect of initial application of rules for identification and classification of problematic debts(1)	-	1,368	-	1,368	-	-	-	-	-	-	-	-
Re-structuring carried out during the period	86	336	20	442	116	-	14	130	135	-	18	153
Loans resuming accrual of interest revenues	(108)	(17)	(4)	(129)	(40)	-	(3)	(43)	(177)	-	(5)	(182)
Credit under restructuring written off	(9)	-	(2)	(11)	(14)	-	(13)	(27)	(63)	-	(15)	(78)
Credit under restructuring repaid	(63)	-	(13)	(76)	(181)	-	(11)	(192)	(72)	-	(19)	(91)
Other changes	(81)	-	9	(72)	20	-	(1)	19	126	-	11	137
Non-accruing credit balance subject to re-structuring – at end of period	**192**	**1,687**	**41**	**1,920**	**319**	**-**	**27**	**346**	**367**	**-**	**31**	**398**

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

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

Analysis of provision for credit losses

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

	For the three months ended June 30, 2022					
	Provision for credit losses					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds held to maturity and available for sale	Total
Balance of provision for credit losses at start of period	1,590	787	376	2,753	1	2,754
Expenses with respect to credit losses	65	38	4	107	-	107
Net accounting write-offs	(30)	-	(16)	(46)	-	(46)
Other(1)	14	-	26	40	-	40
Balance of provision for credit losses at end of period	**1,639**	**825**	**390**	**2,854**	**1**	**2,855**

	For the three months ended June 30, 2021					
Balance of provision for credit losses at start of period	1,413	918	316	2,647	3	2,650
Expenses (income) with respect to credit losses	(156)	(59)	(25)	(240)	-	(240)
Net accounting write-offs	(2)	(1)	(8)	(11)	-	(11)
Other(1)	16	1	3	20	-	20
Balance of provision for credit losses at end of period	**1,271**	**859**	**286**	**2,416**	**3**	**2,419**

	For the six months ended June 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	328	(32)	96	392	-	392
Expenses with respect to credit losses	102	52	32	186	-	186
Net accounting write-offs	(38)	-	(28)	(66)	-	(66)
Other(1)	(9)	1	36	28	-	28
Balance of provision for credit losses at end of period	**1,639**	**825**	**390**	**2,854**	**1**	**2,855**

	For the six months ended June 30, 2021					
Balance of provision for credit losses at start of period	1,383	942	340	2,665	2	2,667
Expenses (income) with respect to credit losses	(111)	(82)	(35)	(228)	1	(227)
Net accounting write-offs	(20)	(2)	(26)	(48)	-	(48)
Other(1)	19	1	7	27	-	27
Balance of provision for credit losses at end of period	**1,271**	**859**	**286**	**2,416**	**3**	**2,419**

(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):

	June 30, 2022	June 30, 2021	December 31, 2021
Ratio of provision for credit losses to total loans to the public	0.95	0.94	0.85
Ratio of provision for credit losses to total credit risk with respect to the public	0.73	0.70	0.64
		Six months(1)	
	2022	2021	2021
Ratio of expenses (revenues) with respect to credit losses to average balance of loans to the public, gross	0.13	(0.18)	(0.11)
Ratio of net write-offs to average balance of loans to the public, gross	0.05	0.04	0.05
Ratio of expenses (revenues) with respect to credit losses to average balance of loans to the public, net	0.13	(0.18)	(0.11)
Of which: With respect to commercial loans other than residential mortgages(2)	0.26	(0.32)	(0.16)
Ratio of net write-offs to average balance of loans to the public, net	0.05	0.04	0.05

(1) Annualized.

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

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

The household segment is a key growth engine and a significant component of the Bank's strategic plan for 2021-2025.

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

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

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

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

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

	As of June 30		As of December 31
	2022	**2021**	**2021**
Debts			
Current account balances	2,050	1,887	1,976
Utilized credit card balances	4,669	4,451	4,653
Auto loans – adjustable interest	2,318	2,127	2,133
Auto loans – fixed interest	2,258	2,670	2,823
Other loans and credit – variable interest	13,585	12,701	13,063
Other loans and credit – fixed interest	898	330	194
Total debt (on-balance sheet credit)	**25,778**	**24,166**	**24,842**
Un-utilized facilities, guarantees and other commitments			
Current accounts – un-utilized facilities	5,166	5,107	5,134
Credit cards – un-utilized facilities	8,566	8,147	8,331
Guarantees	286	246	253
Other liabilities	52	51	57
Total un-utilized facilities, guarantees and other commitments (off-balance sheet credit)	**14,070**	**13,551**	**13,775**
Total credit risk to individuals	**39,848**	**37,717**	**38,617**
Of which:			
Bullet / balloon loans[3]	516	374	380
Financial asset portfolio and other collateral against credit risk[4]			
Financial assets portfolio:			
Deposits	4,334	3,900	3,998
Securities	320	261	271
Other monetary assets	235	292	257
Other collateral[5]	3,207	3,622	3,484
Total financial assets portfolio and other collateral against credit risk	**8,096**	**8,075**	**8,010**

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

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

Loan ceiling and credit risk (NIS in thousands)		As of June 30, 2022 Number of Borrowers	As of June 30, 2022 Total credit risk	As of June 30, 2021 Number of Borrowers	As of June 30, 2021 Total credit risk	As of December 31, 2021 Number of Borrowers	As of December 31, 2021 Total credit risk
	Up to 10	359,373	1,056	347,918	2,055	353,214	1,675
Above 10	Up to 20	112,539	1,669	110,405	1,692	111,402	1,686
Above 20	Up to 40	150,150	4,372	144,184	4,238	147,002	4,303
Above 40	Up to 80	159,336	9,093	150,769	8,680	154,397	8,928
Above 80	Up to 150	100,887	10,861	94,996	10,269	97,395	10,573
Above 150	Up to 300	49,615	10,117	43,513	8,826	44,683	9,345
Above 300		6,153	2,680	4,233	1,957	4,361	2,107
Total		**938,053**	**39,848**	**896,018**	**37,717**	**912,454**	**38,617**

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

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

Income	As of June 30, 2022 NIS in millions	As of June 30, 2022 in %	As of June 30, 2021 NIS in millions	As of June 30, 2021 in %	As of December 31, 2021 NIS in millions	As of December 31, 2021 in %
Accounts with no fixed income for the account[2]	6,307	24.5	5,677	23.5	5,913	23.8
Less than NIS 10 thousand	4,327	16.8	4,658	19.3	4,459	17.9
Between NIS 10 thousand and NIS 20 thousand	7,847	30.4	7,625	31.6	7,620	30.7
Over NIS 20 thousand	7,297	28.3	6,206	25.6	6,850	27.6
Total	**25,778**	**100**	**24,166**	**100**	**24,842**	**100**

(1) For measuring regular income in customer accounts, the Bank uses "credit turnover" data for the account, including *inter alia* salaries and regular pensions.
(2) Primarily with respect to loans extended in conjunction with assignment of vehicle portfolios and loans extended by Igud Leasing. Due to the nature of account management, this revenue is not reflected in the current account.

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

Term to maturity	As of June 30, 2022 NIS in millions	As of June 30, 2022 in %	As of June 30, 2021 NIS in millions	As of June 30, 2021 in %	As of December 31, 2021 NIS in millions	As of December 31, 2021 in %
Up to 1 year	4,119	21.6	3,584	20.1	3,696	20.3
Over 1 year to 3 years	6,143	32.2	5,735	32.2	5,970	32.8
Over 3 years to 5 years	4,530	23.8	4,391	24.6	4,387	24.1
Over 5 years to 7 years	2,045	10.7	2,104	11.8	2,118	11.6
Over 7 years[2]	2,222	11.7	2,014	11.3	2,042	11.2
Total	**19,059**	**100**	**17,828**	**100**	**18,213**	**100**

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

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

	As of June 30, 2022			As of June 30, 2021			As of December 31, 2021		
	Credit risk[1]			Credit risk[1]			Credit risk[1]		
	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:
Balance of problematic credit risk	215	9	224	180	2	182	193	7	200
Problematic credit risk rate[2]	0.83%	0.06%	0.56%	0.74%	0.01%	0.48%	0.78%	0.05%	0.52%

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

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

	First half		2021
	2022	2021	
Expense with respect to credit losses as percentage of total loans to the public to individuals	0.25%	(0.29%)	(0.22%)

Data for credit risk to individuals show that:

- Total debts by individuals (on-balance sheet credit) increased by 6.7% and by 3.8% compared to June 30, 2021 and December 31, 2021, respectively.
- Development of debts as of June 30, 2022 is as follows:
  Checking accounts - 8.0%
  Credit cards - 18.1%
  Auto loans - 17.8%
  Other loans and credit - 56.2%
- Of all debts (on-balance sheet credit) as of June 30, 2022, 31.4% is secured by financial assets and other collateral in the customer's account (compared to 33.4% as of June 30, 2021 and 32.3% as of December 31, 2021).

Credit risk in construction and real estate economic sector in Israel

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

Recovery from the Corona Virus crisis, excess demand for apartments in Israel and low interest rates resulted in records in this segment: in the past year, housing prices increased by 15.9%, the construction input index increased by 6.6% (year-to-date: 4.4%), new residential units sold in the market in March-May 2022, net of seasonality, was lower by 7.3% compared to the previous three months, and review of this trend shows that since August 2021, sales decreased by 3.3% per month. This is after observed increase by 2.3% per month from April 2020 through July 2021. The change in sales trend is in view of higher interest rates and decrease in apartment buying by investors, due to the higher purchase tax. Total housing construction starts in April 2021 through March 2022 were 69 thousand residential units, an increase by 27% compared to the corresponding period in the previous year. Residential housing construction completions decreased by 3.8%, at 47 thousand residential units. In June 2022, the Knesset enacted an alternative for National Zoning Plan 38, while extending the previous program through October 2023. This alternative allows for making progress on individual urban renewal programs in several tracks. Furthermore, Amendment 9 to the Sales Law was approved, setting a limit on linkage of new apartments by the seller, and regulating the amount of compensation in case of late delivery. Moreover, in view of the political instability, application of current plans already issued and progress on new plans may be delayed.

Demand in the rental real estate segment also recovered impressively, as the number of those vaccinated increased and as the economy resumed normal operations. Addressing the implications of the Corona Virus crisis accelerated processes of remote working and integration with office work (hybrid model), which are expected to remain over the long term. Therefore, and in view of many companies entering the eCommerce market, accelerated trend of online shopping and growth in private consumption, there is increased demand for logistics centers.

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

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

In the first half of 2022, the Bank acted to expand its loan operations in the construction and real estate sector, as part of the trend of growing demand in this sector reflected, inter alia, in rising prices and increased transaction volume. Consequently, the total credit exposure in the construction and real estate sectors increased by 7.7% in the first half of 2022.

The share of the construction and real estate sector in Israel out of total credit risk to the public at the Bank as of June 30, 2022, as presented below (Credit Risk by Economic Sector) is 14.6%. Note that according to Proper Conduct of Banking Business Directive 315, the rate of indebtedness of the construction and real estate sector (for calculation of sector concentration) is 11.6% (excluding liabilities, including contingent liabilities to extend credit or to provide guarantees and amounts of housing bonds for which the Bank has obtained an insurance policy). The Bank reviews in each quarter the calculation of the group-based provision for credit losses in this sector, and adjusts this provision so as to account, inter alia, for growth in the loan portfolio and the underwriting conditions.

On May 22, 2022, the Bank of Israel issued an updated directive to banks, whereby loans designated for purchase of land for development or construction, with an LTV higher than 80% of value of the acquired property, shall be added to the list of debt with a risk weighting of 150%. The full capital allocation may be conducted in the third quarter of 2022, or may be apportioned as from the third quarter of 2022, over four quarters, so as to have the capital requirement be fully reflected on June 30, 2023. The Bank is preparing to implement the directive.

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

								June 30, 2022
	Credit risk to the public(1)							
	Credit risk				Total problematic credit risk		Balance of provision for credit losses	
	On balance sheet(2)	Off balance sheet(3)		Of which:	Non-accruing	Other problematic(4)	On-balance sheet credit risk	Off-balance sheet credit risk
		Guarantees to home buyers(5)	Facilities and other commitments					
Secured by real estate:								
Housing	17,452	6,451	12,049	35,952	29	42	20	26
Commercial and industrial	7,909	132	2,479	10,520	104	28	126	3
Total secured by real estate	**25,361**	**6,583**	**14,528**	**46,472**	**133**	**70**	**146**	**29**
Not secured by real estate	5,732	178	3,895	9,805	116	93	96	27
Total for construction and real estate economic sector in Israel	**31,093**	**6,761**	**18,423**	**56,277**	**249**	**163**	**242**	**56**
Of which: Designated for project assistance	16,917	6,603	11,099	34,619	20	4	18	28

							June 30, 2021
							Credit risk to the public(1)
	Credit risk			Total problematic credit risk		Balance of provision for credit losses	
	On balance sheet(2)	Off balance sheet(3)	Of which:	Non-accruing(6)	Other problematic(4)	On-balance sheet credit risk	Off-balance sheet credit risk
Secured by real estate:							
Housing	11,771	18,904	30,675	69	49	88	48
Commercial and industrial	7,087	1,948	9,035	118	33	52	4
Total secured by real estate	**18,858**	**20,852**	**39,710**	**187**	**82**	**140**	**52**
Not secured by real estate	4,285	4,397	8,682	143	87	41	43
Total for construction and real estate economic sector in Israel	**23,143**	**25,249**	**48,392**	**330**	**169**	**181**	**95**
Of which: Designated for project assistance	9,972	17,476	27,448	50	36	84	51

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

(1) On- and off-balance sheet credit risk, problematic credit risk and impaired loans to the public are stated before impact of provision for credit losses, and before impact of deductible collateral with respect to indebtedness of borrower.

(2) Loans to the public, investment in bonds by the public, other debt by the public and other assets with respect to derivatives against the public.

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

(4) On- and off-balance sheet credit risk with respect to the public, which is inferior or under special supervision.

(5) Off-balance sheet credit risk due to housing bonds, which are mostly backed by insurance purchased from international reinsurers.

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

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

	June 30, 2022			June 30, 2021			December 31, 2021		
	Credit risk(1)			Credit risk(1)			Credit risk(1)		
	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:	On balance sheet	Off balance sheet	Of which:
Secured by real estate									
Real estate yet to be completely constructed:									
Raw land	13,186	1,046	14,232	5,745	1,018	6,763	8,795	1,276	10,071
Real estate under construction	5,812	18,113	23,925	6,461	17,826	24,287	5,698	18,865	24,563
Real estate completely constructed	6,363	1,952	8,315	6,652	2,008	8,660	6,242	1,317	7,559
Total credit secured by real estate in Israel	**25,361**	**21,111**	**46,472**	**18,858**	**20,852**	**39,710**	**20,735**	**21,458**	**42,193**
Not secured by real estate	5,732	4,073	9,805	4,285	4,397	8,682	5,652	4,412	10,064
Total credit risk for construction and real estate	**31,093**	**25,184**	**56,277**	**23,143**	**25,249**	**48,392**	**26,387**	**25,870**	**52,257**

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

	June 30	March 31	December 31	Change	
	2022	2022	2021	June 30, 2022	December 31, 2021
	Credit risk to the public(1)				
Credit risk at performing credit rating:					
Total non-problematic credit risk	54,728	52,286	50,559	4.7%	8.2%
Credit risk other than at performing credit rating:					
Problematic accruing(2)	163	191	235	(14.7%)	(30.6%)
Problematic non-accruing(2)	249	255	281	(2.4%)	(11.4%)
Non-problematic	1,137	1,039	1,182	9.4%	(3.8%)
Total credit risk other than at performing credit rating	**1,549**	**1,485**	**1,698**	**4.3%**	**(8.8%)**
Total credit risk for construction and real estate	**56,277**	**53,771**	**52,257**	**4.7%**	**7.7%**

(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.

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

Credit Risk by Economic Sector

As of June 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[(4)]		
	Total	Credit performance rating[(4)]	Credit in good standing other than at performing credit rating	Problematic[(5)]	Total	Debts[(2)]	Problematic[(5)]	Non-accruing[)]	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	1,200	1,162	19	19	1,200	942	19	12	(2)	1	22
Mining and excavation	1,004	987	-	17	859	335	17	4	-	-	7
Industry and production	14,779	14,067	203	509	14,351	9,715	509	347	148	32	355
Of which: Diamonds	1,802	1,651	10	141	1,802	1,216	141	91	(10)	(7)	26
Construction and real estate – construction[(6)]	48,413	47,360	741	312	48,317	23,907	312	183	(35)	(29)	188
Construction and real estate – real estate operations	7,864	7,368	396	100	7,598	6,848	100	66	6	(1)	110
Electricity and water delivery	8,120	8,060	36	24	7,811	4,626	24	13	(7)	15	76
Commerce	15,242	14,423	502	317	15,111	11,469	317	186	(18)	11	236
Hotels, dining and food services	2,147	1,905	105	137	2,145	1,617	137	62	(10)	5	117
Transport and storage	2,821	2,575	40	206	2,809	2,044	206	161	12	(18)	120
Information and communications	2,229	2,174	16	39	2,125	1,464	39	35	18	6	42
Financial services	23,442	23,225	183	34	16,786	10,148	34	8	1	-	36
Other business services	6,744	6,421	128	195	6,713	4,608	195	123	(22)	16	204
Public and community services	3,330	3,087	202	41	3,316	2,631	41	22	(9)	-	65
Total commercial	**137,335**	**132,814**	**2,571**	**1,950**	**129,141**	**80,354**	**1,950**	**1,222**	**82**	**38**	**1,578**
Private individuals – residential mortgages	208,561	204,351	763	3,447	208,561	190,162	3,447	2,161	52	-	825
Private individuals – other	39,916	39,378	314	224	39,848	25,778	224	73	32	28	390
Total public – activity in Israel	**385,812**	**376,543**	**3,648**	**5,621**	**377,550**	**296,294**	**5,621**	**3,456**	**166**	**66**	**2,793**
Banks in Israel	2,399	2,399	-	-	647	413	-	-	-	-	-
Government of Israel	14,005	14,005	-	-	107	107	-	-	-	-	-
Total activity in Israel	**402,216**	**392,947**	**3,648**	**5,621**	**378,304**	**296,814**	**5,621**	**3,456**	**166**	**66**	**2,793**
Borrower activity overseas											
Total public – activity overseas	7,471	7,030	298	143	7,123	4,577	143	108	20	-	61
Overseas banks	9,718	9,718	-	-	7,659	7,632	-	-	-	-	-
Overseas governments	7,964	7,963	-	1	390	357	1	1	-	-	1
Total activity overseas	**25,153**	**24,711**	**298**	**144**	**15,172**	**12,566**	**144**	**109**	**20**	**-**	**62**
Total	**427,369**	**417,658**	**3,946**	**5,765**	**393,476**	**309,380**	**5,765**	**3,565**	**186**	**66**	**2,855**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[(2)] – 309,380; bonds – 21,672; securities borrowed or acquired in conjunction with resale agreements – 2124; Assets with respect to derivatives – 7,080; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 87,113.
(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 1,365 million and off-balance sheet credit risk amounting to NIS 1,950 million, provided to certain purchase groups in the process of construction and includes off-balance sheet credit risk amounting to NIS 6,537 million for which insurance has been acquired to cover the housing bonds portfolio from international reinsurers.

Credit Risk by Economic Sector – Consolidated – continued

As of June 30, 2021

Reported amounts (NIS in millions)

	Total credit risk[1]				Off balance sheet debts[2] and credit risk (other than derivatives)[3]						
		Of which:							Credit losses[3]		
	Total	Credit performance rating[4]	Credit in good standing other than at performing credit rating	Problematic[5]	Total	Debts[2]	Problematic[5]	Non-accruing[7]	Expenses with respect to credit losses	Net accounting write-offs	Balance of provision for credit losses
Borrower activity in Israel											
Public – commercial											
Agriculture, forestry and fishing	1,194	1,156	24	14	1,194	923	14	7	(1)	-	10
Mining and excavation	859	859	-	-	800	294	-	-	(6)	(1)	5
Industry and production	11,842	11,160	236	446	11,626	6,978	446	324	(9)	4	193
Of which: Diamonds	1,538	1,377	12	149	1,538	1,072	149		2	2	23
Construction and real estate – construction[6]	41,020	39,140	1,509	371	40,948	16,734	371	229	(22)	(12)	241
Construction and real estate – real estate operations	7,372	7,071	173	128	7,299	6,274	128	101	(9)	1	35
Electricity and water delivery	6,387	6,341	33	13	6,222	3,571	13	1	14	-	32
Commerce	14,261	13,368	570	323	14,099	10,218	323	226	(13)	7	228
Hotels, dining and food services	2,114	1,789	180	145	2,114	1,667	145	54	(28)	3	74
Transport and storage	2,849	2,468	154	227	2,820	1,795	227	141	(4)	3	83
Information and communications	1,931	1,821	40	70	1,868	1,184	70	15	(5)	3	29
Financial services	17,042	16,980	15	47	14,467	8,578	47	7	(37)	(21)	136
Other business services	6,131	5,770	191	170	6,124	4,092	170	118	8	4	116
Public and community services	3,268	2,923	313	32	3,264	2,566	32	19	(2)	(1)	30
Total commercial	**116,270**	**110,846**	**3,438**	**1,986**	**112,845**	**64,874**	**1,986**	**1,242**	**(114)**	**(10)**	**1,212**
Private individuals – residential mortgages	184,653	182,516	735	1,402	184,653	164,365	1,402	-	(82)	2	858
Private individuals – other	37,801	37,298	321	182	37,717	24,166	182	48	(35)	26	286
Total public – activity in Israel	**338,724**	**330,660**	**4,494**	**3,570**	**335,215**	**253,405**	**3,570**	**1,290**	**(231)**	**18**	**2,356**
Banks in Israel	2,376	2,376	-	-	1,318	1,074	-	-	-	-	-
Government of Israel	14,656	14,656	-	-	59	59	-	-	-	-	-
Total activity in Israel	**355,756**	**347,692**	**4,494**	**3,570**	**336,592**	**254,538**	**3,570**	**1,290**	**(231)**	**18**	**2,356**
Borrower activity overseas											
Total public – activity overseas	5,389	5,284	56	49	4,875	3,036	49	61	3	30	60
Overseas banks	6,752	6,752	-	-	5,436	5,418	-		-	-	2
Overseas governments	1,403	1,402	-	1	519	519	1	1	1	-	1
Total activity overseas	**13,544**	**13,438**	**56**	**50**	**10,830**	**8,973**	**50**	**62**	**4**	**30**	**63**
Total	**369,300**	**361,130**	**4,550**	**3,620**	**347,422**	**263,511**	**3,620**	**1,352**	**(227)**	**48**	**2,419**

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 263,511; bonds – 16,916; securities borrowed or acquired in conjunction with resale agreements – 187; Assets with respect to derivatives – 2,426; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 86,260.

(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 2,202 million and off-balance sheet credit risk amounting to NIS 2,356 million, provided to certain purchase groups in the process of construction and includes off-balance sheet credit risk amounting to NIS 5,275 million for which insurance has been acquired to cover the housing bonds portfolio from international reinsurers.

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

Credit Risk by Economic Sector – Consolidated – continued

As of December 31, 2021

Reported amounts (NIS in millions)

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

(1) On- and off-balance sheet credit risk, including with respect to derivatives (NIS in millions): Debts[2] – 283,601; bonds – 14,307; securities borrowed or acquired in conjunction with resale agreements – 1332; Assets with respect to derivatives – 3,652; and Credit risk of off-balance-sheet financial instruments as calculated for the purpose of determining per-borrower indebtedness limits – 86,251.
(2) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements.
(3) Includes with respect to off-balance sheet credit instruments (included on balance sheet under Other Liabilities).
(4) Credit risk whose credit rating as of the report date matches the credit rating for new credit performance, in conformity with Bank policies.
(5) On- and off-balance sheet credit risk, which is non-accruing, inferior or under special supervision.
(6) Includes on-balance sheet credit risk amounting to NIS 1,699 million and off-balance sheet credit risk amounting to NIS 2,096 million, provided to certain purchase groups in the process of construction and includes off-balance sheet credit risk amounting to NIS 5,699 million for which insurance has been acquired to cover the portfolio of housing bonds and performance guarantees pursuant to the Sale Law from international re-insurers.
(7) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

Exposure to foreign countries[1]

Reported amounts (NIS in millions)

Country	June 30, 2022			June 30, 2021[2]			December 31, 2021[2]		
							Exposure		
	On balance sheet[3]	Off -balance sheet[3][4][5]	Total	On balance sheet[3]	Off-balance sheet[3][4][5]	Total	On balance sheet[3]	Off-balance sheet[3][4][5]	Total
USA	16,702	1,511	18,213	7,563	504	8,067	11,809	742	12,551
Barbados[6]	6,081	-	6,081	-	-	-	-	-	-
UK	3,802	881	4,683	-	-	-	3,156	1,086	4,242
Other	5,344	7,363	12,707	6,797	7,219	14,016	7,060	7,573	14,633
Total exposure to foreign countries	**31,929**	**9,755**	**41,684**	**14,360**	**7,723**	**22,083**	**18,869**	**8,315**	**27,184**
Of which: Total exposure to Greece, Portugal, Spain, Italy	52	4	56	41	9	50	49	6	55
Of which: Total exposure to LDC countries	604	55	659	472	66	538	548	54	602
Of which: Total exposure to foreign countries facing liquidity issues[7]	-	-	-	-	-	-	-	-	-

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

(2) Reclassified.

(3) 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.

(4) 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.

(5) The balance of off-balance sheet exposure includes NIS 6,580 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 June 30, 2021: NIS 5,369 million; As of December 31, 2021: NIS 5,777 million).

(6) 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.

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

Credit exposure to foreign financial institutions

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

External credit rating	On-balance sheet credit risk[(3)] Before offset of deposits with respect to master netting agreements[(5)]	On-balance sheet credit risk[(3)] After offset of deposits with respect to master netting agreements[(6)]	Off-balance sheet credit risk[(4)]	Current credit exposure Before offset of deposits with respect to master netting agreements	Current credit exposure After offset of deposits with respect to master netting agreements[(5)]
					June 30, 2022
AAA to AA-	7,426	7,313	6,595	14,021	13,908
A+ to A-	2,113	1,917	245	2,358	2,162
BBB+ to BBB-	20	20	20	40	40
BB+ to B-	-	-	-	-	-
Lower than B-	-	-	-	-	-
Unrated	6	6	40	46	46
Total credit exposure to foreign financial institutions	**9,565**	**9,256**	**6,900**	**16,465**	**16,156**
					June 30, 2021
AAA to AA-	791	791	4,831	5,622	5,622
A+ to A-	1,357	1,223	241	1,598	1,464
BBB+ to BBB-	136	119	71	207	190
BB+ to B-	88	88	4	92	92
Lower than B-	-	-	-	-	-
Unrated	31	31	9	40	40
Total credit exposure to foreign financial institutions	**2,403**	**2,252**	**5,156**	**7,559**	**7,408**
					December 31, 2021
AAA to AA-	682	566	5,508	6,190	6,074
A+ to A-	2,305	1,653	240	2,545	1,893
BBB+ to BBB-	15	15	-	15	15
BB+ to B-	1	1	-	1	1
Lower than B-	-	-	-	-	-
Unrated	7	11	4	11	15
Total credit exposure to foreign financial institutions	**3,010**	**2,246**	**5,752**	**8,762**	**7,998**

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

(2) After deduction of provision for credit losses.

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

(4) The balance of off-balance sheet exposure to financial institutions includes NIS 6,580 million as of June 30, 2022 (as of June 30, 2021: NIS 5,369 million; as of December 31, 2021: NIS 5,777 million) with respect to acquiring insurance from international reinsurers for the portfolio of housing bonds for borrowers in the real estate sector in Israel as well as guarantees and additional commitments to extend credit, including guarantees to secure indebtedness of third parties.

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

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

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

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

The aforementioned credit exposure excludes exposure to financial institutions for which complete, explicit government guarantees are in place, and exclude investments in asset-backed securities. For more information with regard to credit exposure composition with respect to derivative instruments vis-à-vis banks and dealers/brokers (domestic and foreign), see Note 11.B. Derivatives

Some of the exposures listed in the above table are included under "Credit Risk by Economic Sector", under "Financial services". This includes deposits with banks, loans to the public, public investment in bonds and other assets with respect to derivatives. Futures transactions, weighted in accordance with rules stated in Proper Business Conduct Directive 313, are included as part of off-balance sheet credit risk, and are excluded from the above table.

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

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

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

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

Residential mortgages risk and its development

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

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

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

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

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

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

Risk appetite and risk profile in mortgage segment

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

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

The Bank acts regularly to control and manage the risk associated with residential mortgages, for which the Retail Division, the Risks Control Division and other Bank entities are responsible. This activity also includes portfolio analysis and monitoring by key risk factors and estimation of portfolio risk using an advanced model for rating residential mortgages, including rating of each loan and calculation of probability of default and potential loss given default, as well as conducting various stress scenarios to review the effect of changes to macro-economic factors on the portfolio risk level, primarily the impact of change in unemployment, change in housing prices and change in interest rates.

The Bank constantly monitors the risk profile of the mortgage portfolio and its development over time, in view of the specified risk appetite. In particular, this monitoring is conducted through the Bank's quarterly risks document which is presented to and approved by Bank Management, the Board of Directors and its Risks Management Committee. Such monitoring reveals that leading risk benchmarks continue to remain relatively low. These benchmarks include: LTV ratios, repayment ratio, rate of obligation in default and, in particular, the rate of arrears for new loans (one year since origination), which is testimony to the high quality of underwriting at the Bank. Note that the average LTV ratio for the Bank's mortgage portfolio (at end of June 2022) was 53.8% (reflecting the LTV ratio upon loan origination – see more details below). The Bank also estimates the "actual" LTV ratio for the portfolio, based on changes to property values, based on estimates by the Central Bureau of Statistics against the outstanding portfolio balances. This ratio is lower than the original LTV ratio due to the constantly higher housing prices, reflected by the mortgage inventory in the portfolio. These data support the Bank's estimate that the potential for loss due to the Bank's mortgage portfolio, even in scenarios involving material decline in housing prices, is low. In addition, the Bank regularly reviews its mortgage portfolio under stress conditions, including under significant change in macro-economic conditions, using multiple methodologies. The outcome of stress testing indicates that portfolio risk has decreased and that the potential impact of a severe stress event in the market is low.

Corona Virus pandemic

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

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

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

	Loans granted (NIS in millions)		
	Six months		Rate of Change
	2022	2021	In %
Mortgages issued (for housing and any purpose)			
From the Bank's funds	24,028	17,686	35.9
From funds of the Finance Ministry:			
Directed loans	110	135	(18.5)
Standing loans and grants	50	48	4.2
Total new loans	**24,188**	**17,869**	**35.4**
Refinanced loans	3,861	3,231	19.5
Total loans originated	**28,049**	**21,100**	**32.9**
Number of borrowers (includes refinanced loans)	35,981	31,200	15.3

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

LTV ratio	Repayment ratio out of regular income	Up to 3 months	3-12 months	1-2 years	2-5 years	5-10 years	Over 10 years	Total
		Loan age(2) (time elapsed since loan grant)						
Up to 60%	Up to 35%	4,309	14,557	14,660	31,264	27,464	10,840	103,094
	35%-50%	886	2,003	1,798	3,020	4,945	3,157	15,809
	50%-80%	-	-	4	21	364	841	1,230
	Over 80%	-	-	1	1	19	88	109
60%-75%	Up to 35%	3,928	12,141	11,538	17,049	11,622	2,925	59,203
	35%-50%	1,051	1,868	1,279	1,300	1,620	955	8,073
	50%-80%	-	-	2	5	66	214	287
	Over 80%	-	-	-	-	-	21	21
Over 75%	Up to 35%	27	176	213	385	290	943	2,034
	35%-50%	6	14	21	26	47	259	373
	50%-80%	-	-	-	-	3	75	78
	Over 80%	-	-	-	-	-	12	12
Total		**10,207**	**30,759**	**29,516**	**53,071**	**46,440**	**20,330**	**190,323**
Loans granted with original amount over NIS 2 million		1,698	4,594	3,126	3,743	2,507	843	16,511
Percentage of total residential mortgages		16.6%	14.9%	10.6%	7.1%	5.4%	4.1%	8.7%
Loans bearing variable interest:								
Non-linked, at prime lending rate		4,155	12,508	10,360	17,252	13,883	7,763	65,921
CPI-linked(3)		879	2,081	1,089	1,027	650	3,207	8,933
In foreign currency(3)		157	559	519	1,203	845	819	4,102
Total		5,191	15,148	11,968	19,482	15,378	11,789	78,956
Non-linked loans at prime lending rate, as percentage of total residential mortgages		40.7%	40.7%	35.1%	32.5%	29.9%	38.2%	34.6%
CPI-linked loans bearing variable interest as percentage of total residential mortgages		8.6%	6.8%	3.7%	1.9%	1.4%	15.8%	4.7%
Loans with LTV over 75% as percentage of total residential mortgages		0.3%	0.6%	0.8%	0.8%	0.7%	6.3%	1.3%

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

(2) The loan balances presented above are aged based on the date of loan origination, and include under the same age group any loan balances actually provided at a later date.
Furthermore, loan refinancing does not modify the loan age, i.e. the loan balance is attributed to the original loan origination date.
This treatment also applies to refinancing of "directed" loans originally guaranteed by the State and refinanced to loans for which the Bank is responsible.

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

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 June 30, 2022).

LTV

One of the key parameters used by the Bank in minimizing risk in its residential mortgage portfolio is the LTV ratio (ratio of loan amount to value of the property pledged as collateral).

The average loan-to-value ratio for the Bank's mortgage portfolio as of June 30, 2022 was 53.8%, compared to 53.2% on June 30, 2021 and to 53.4% on December 31, 2021. Out of the total loan portfolio of the Bank, amounting to NIS 190.3 billion, some 98.7% were granted with an original LTV ratio under 75%, which secures the loan even in case of an extreme 25% decrease in value of the property pledged as collateral.

The LTV ratio in this report is the historical LTV ratio calculated upon loan approval, and does not account for any current repayments which reduce the loan balance nor any changes in value of properties pledged as collateral. The significant increase in housing prices, as from late 2008 and, conversely, reduced loan balances due to current repayments result in a decrease in the current "actual" LTV ratio and, as noted above, based on changes to property values as estimated by the Central Bureau of Statistics, against current portfolio balances. This ratio is lower than the historical LTV ratio. Total loans granted at LTV ratios over 75% in the past two years amounted to NIS 0.5 billion, or only 0.2% of the total residential mortgage portfolio.

Note, in this regard, that the Bank's average LTV ratio as of June 30, 2022, based on current outstanding balances (with no change to property value due to changes in housing prices) would have decreased as follows: For loans originated up to one year ago – by 3.6%. For loans originated one to 5 years ago – by 4.3%; for loans originated over 5 years ago – by 18.0%; for all loans in total – by 8.9%.

The percentage of loans granted with a high LTV ratio (over 75%) out of total residential mortgage portfolio of the Bank to 0.8% for loans granted 1-2 years ago, 0.6% for loans granted 3-12 months ago and 0.3% for loans granted in the second quarter of 2022.

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 24.0%. 86.7% of the Bank's mortgage portfolio were granted to borrowers with a repayment ratio under 35% (the average repayment ratio for these borrowers is: 22.8%). Some 12.3% of the mortgage portfolio were granted to borrowers with a repayment ratio of 35% to 50% (the average repayment ratio for these borrowers is: 38.7%). 0.9% of mortgages were granted to borrowers with a repayment ratio of 50% to 80% (the average repayment ratio for these borrowers is 59.3%), and only 0.1% were granted to borrowers with a repayment ratio over 80% (the average repayment ratio for these borrowers is: 91.0%).

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 robust 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 shall apply as from February 28, 2021.

The Bank provides customers with the knowledge and expertise of its staff in order for customers to understand the risk involved with a loan bearing adjustable interest and how this risk may be mitigated or avoided. The Bank advises customers to attribute appropriate weighting to this risk, and to be cautious when deciding upon the loan composition.

Total loans linked to the prime lending rate granted over the past two years, which constitute the major portion of risk associated with such mortgages, is NIS 27.0 billion, or 14.2% 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 16.5 billion on June 30, 2022, or only 8.7% of the Bank's residential mortgage portfolio.

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

Operational Risk

Risk description and development thereof

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

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

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

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

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

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

Business continuity

The Bank applies Proper Conduct of Banking Business Directive 355 concerning "Management of business continuity".
In the second quarter of 2022, the Bank continued to monitor the state of morbidity. The Bank maintains all emergency provisions in a state of readiness, in anticipation of any renewed outbreak. The Bank continues to monitor the morbidity and quarantine rate, and adheres to current procedures and guidelines issued by the Bank of Israel and by the Government.
In the second quarter, the Bank continues to implement the annual work plan and the exercise plan for 2022, including the following: Exercise of the Bank's alternate computer site, joint exercise with Bank Yahav and preparation for revision of the earthquake reference scenario by applying the model proposed by the Bank of Israel.
In this quarter, too, the Bank continued to be in close contact with business continuity units of the Group and at overseas affiliates.

Information security and cyber defense

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

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

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

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

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

The Bank's information security team operates fully and continuously, improving and bolstering defense capabilities and mechanisms, in conformity with expansion of threats and challenging needs which the Bank is required to face.

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

IT risk

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

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

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

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

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

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

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

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

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

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

Legal risk

Legal risk is defined in Proper Conduct of Banking Business Directive 350 regarding "Operational risks" and includes absence of potential for legal enforcement of an agreement and includes, but is not limited to exposure to fines or penalties arising from supervisory action, as well as from individual arrangements. Legal risk also includes risks arising from legal exposure due to Bank conduct with its various stakeholders (such as: customers, suppliers and other third parties).

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

The Bank's Legal Division regularly analyzes the legal risk components, the risk boundaries (arising, for example, from the counter-party identity, from creation of collateral etc.) as well as specific risk attributes while reviewing its risk level and exposure with attention to the different lines of business at the Bank and provides current legal advice to the Bank and its various units.

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

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

Market risk and interest risk

Risk description and development thereof

Market risk – This is the risk of loss from on– and off-balance sheet positions, arising from change in fair value of financial instruments, due to change in market risk factors (interest rates, exchange rates, inflation, prices of equities and commodities).

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

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

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

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

Risk values measured in the normal course of business and under stress scenarios were higher in this quarter, due to current banking operations and to higher capitalization curves. In this quarter, inflationary expectations increased. 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):

	First half		All of
	2022	**2021**	**2021**
At end of period	649	663	592
Maximum value during period	(Feb) 611	(Feb) 810	(Feb) 810
Minimum value during period	(Jun) 553	(Jun) 663	(Oct) 521

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

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

Analysis of interest risk in bank portfolio

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

	Israeli currency		Foreign currency			
	Non-linked	Linked to CPI	USD	EUR	Other	Total
June 30, 2022 — Change in fair value						
2% increase	(1,579)	(1,976)	696	44	23	(2,792)
2% decrease	534	1,385	(725)	(9)	(25)	1,160
June 30, 2021						
2% increase	(327)	(1,478)	332	24	18	(1,431)
2% decrease	(664)	831	(470)	7	(25)	(321)
December 31, 2021						
2% increase	(905)	(1,187)	418	14	16	(1,644)
2% decrease	(82)	427	(439)	14	(17)	(97)

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

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

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

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

Under the scenario of concurrent interest rate increase by 1%, the capital reserve with respect to securities is expected to decrease by NIS 486 million.

Quantitative information about interest risk – Sensitivity analysis

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

	As of June 30, 2022			As of June 30, 2021			As of December 31, 2021		
	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total
Net adjusted fair value[1]	25,881	778	26,659	17,811	504	18,315	18,054	363	18,417
Of which: Banking portfolio	22,082	486	22,568	(5,387)	21,124	15,737	14,355	2,250	16,605

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

	As of June 30, 2022			As of June 30, 2021			As of December 31, 2021		
	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total	NIS	Foreign currency[2]	Total
Concurrent changes									
Concurrent 1% increase	(565)	99	(466)	(20)	202	182	57	134	191
Of which: Banking portfolio	(510)	91	(419)	(6)	229	223	95	140	235
Concurrent 1% decrease	(168)	(147)	(315)	(418)	(198)	(616)	(297)	(193)	(490)
Of which: Banking portfolio	(217)	(136)	(353)	(418)	(208)	(626)	(333)	(199)	(532)
Non-concurrent changes									
Steeper[3]	(84)	(70)	(154)	(184)	26	(158)	(240)	(32)	(272)
Shallower[4]	(184)	126	(58)	130	47	177	311	87	398
Short-term interest increase	244	199	443	344	148	492	314	163	477
Short-term interest decrease	(122)	(205)	(327)	(105)	(156)	(261)	85	(168)	(83)

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

(2) Includes Israeli currency linked to foreign currency.

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

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

The difference between Bank exposure to changes in interest according to net adjusted fair value and sensitivity of economic value (EVE) presented above, under a 1% concurrent shift of the curve, amounts to NIS 571 million.

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

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

See Note 15 to the financial statements for additional information.

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

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

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

	As of June 30, 2022			As of June 30, 2021			As of December 31, 2021		
	Interest revenues	Non-interest financing revenues(3)	Total revenues	Interest revenues	Non-interest financing revenues(3)	Total	Interest revenues	Non-interest financing revenues(3)	Total
Concurrent changes(2)									
Concurrent 1% increase	1,432	138	1,570	1,298	89	1,387	1,291	30	1,321
Of which: Banking portfolio	1,394	127	1,521	1,294	89	1,383	1,291	47	1,338
Concurrent 1% decrease	(1,316)	(149)	(1,465)	(1,139)	(90)	(1,229)	(1,158)	(36)	(1,194)
Of which: Banking portfolio	(1,277)	(142)	(1,419)	(1,136)	(93)	(1,229)	(1,157)	(59)	(1,216)

(1) For a one-year term.
(2) Changes to risk-free interest.
(3) Includes the effect of fair value, gain (loss) from transactions in bonds and the effect of interest accrual for transactions in derivatives.

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

- Credit balances in checking accounts are attributed in line with common practice in conformity with the Basel directives, i.e. over an average term of 3-4 years for different customer types.
- When calculating sensitivity of interest revenues, the risk-free interest rate is not capped at a minimum of 0%. In the same way, no cap is applied to the discount rate at 0% when calculating non-interest financing revenues.

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

Analysis of CPI and exchange rate exposures

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

	Scenarios				Historical stress scenario(1)	
	10% increase	5% increase	5% decrease	10% decrease	Maximum increase	Maximum decrease
CPI(2)	1,880.1	940.0	(940.0)	(1,880.0)	196.8	(168.7)
USD	11.5	5.7	(1.4)	(4.7)	4.8	(0.9)
GBP	0.7	0.3	(0.3)	(0.7)	0.2	(0.4)
JPY	-	(0.1)	0.2	0.5	(0.1)	0.2
EUR	(0.6)	(0.2)	-	0.8	(0.1)	-
SFR	(0.6)	(0.3)	0.3	0.6	(1.0)	0.4

(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 564 million and NIS (564) million, respectively.

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

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

Share price risk

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

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

Liquidity and financing risk

Risk description and development thereof

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

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

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

In the first half of 2022 there were no deviations from the Board of Directors' limitations.

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

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

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

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

Liquidity coverage ratio

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

The average liquidity coverage ratio (consolidated, including data for Union Bank) for the second quarter of 2022 was 120%. As noted above, in this period there were no recorded deviations from these restrictions.

Net stable funding ratio

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

As of June 30, 2022, the ratio on consolidated basis was 114%.

As of June 30, 2022, the balance of the three largest depositor groups at the Bank Group amounted to NIS 14.3 billion.

Raising sources and liquidity at the Bank – In the first half of 2022, deposits from the public rose from NIS 307.9 billion on December 31, 2021 to NIS 327.9 billion on June 30, 2022, an increase by 6.5%.

In the non-linked segment, deposits from the public amounted to NIS 244.5 billion, an increase by 4.9% compared to end of 2021. In the CPI-linked sector, deposits from the public amounted to NIS 23.3 billion, an increase by 8.4% compared to end of 2021, and in the foreign currency sector – to NIS 60.1 billion, an increase by 12.8% compared to end of 2021.

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

Other risks

Compliance and regulatory risk

Risk description and development thereof

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

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

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

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

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

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

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

Cross-border risk

Risk description and development thereof

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

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

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

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

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

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

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

AML risk

Risk description and development thereof

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

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

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

Terror financing risk

Risk description and development thereof

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

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

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

Reputational risk

Risk description and development thereof

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

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

Business-strategic risk

Risk description and development thereof

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

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

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

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

Policies and critical accounting estimates, controls and procedures

Policies and critical accounting estimates

The Bank's financial statements are prepared in conformity with generally accepted accounting policies in Israel (Israeli GAAP) and in accordance with Public Reporting Directives of the Supervisor of Banks.
For most topics, these directives are based on generally acceptable accounting practices by US banks. For other, less material topics, these directives are based on International Financial Reporting Standards (IFRS) and on generally accepted accounting principles in Israel (Israeli GAAP). When International Financial Reporting Standards (IFRS) allow multiple alternatives, or do not specifically refer to a certain situation, these directives prescribe specific implementation guidelines, mostly based on generally acceptable accounting practices by US banks.
The significant accounting policies are detailed in Note 1 to the 2021 financial statements.
The application of generally accepted accounting principles by management at the time that the financial statements are prepared occasionally involves various assumptions, assessments and estimates that affect the amounts and business results reported in the financial statements. Some of the assumptions, assessments and estimates are critical to the financial position or the results of operations reflected in the Group's financial statements, because of the materiality of the matter, complexity of calculations or the extent of the probability that matters shrouded in uncertainty will be realized.
For more information about accounting policies on critical matters, see chapter "Policies and critical accounting estimates" of the 2021 Report of the Board of Directors and Management.
For more information about changes to critical accounting policies and critical accounting estimates with regard to the provision for credit losses and other directives, see chapter "Changes to critical accounting policies and to critical accounting estimates" above.

Controls and Procedures

In accordance with the Public Reporting Directives of the Supervisor of Banks, based on requirements stipulated in Sections 302 and 404 of the American Sarbanes Oxley Law, the Bank President & CEO and the Chief Accountant of the Bank have each separately signed a Certification attached to the financial statements on "Disclosure Controls and Procedures (hereinafter: "Disclosure Certification").
The Disclosure Certification relates to the controls and procedures that were designed to assure that the information that the Bank requires for disclosure in accordance with the Public Reporting Regulations of the Supervisor of Banks, is accumulated, processed and sent to the Bank's Executive Management in a manner that enables decisions to be reached at an appropriate time, with respect to disclosure requirements. The certification also refers to setting of internal controls over financial reporting intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks.

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

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

Moshe Vidman
Chairman of the Board of Directors

Moshe Lari
President & CEO

Approval date:
Ramat Gan
August 15, 2022

Certification

I, MOSHE LARI, certify that:

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

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

Lari Moshe

Moshe Lari
President & CEO
August 15, 2022

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

Certification by the Chief Accountant – Disclosure and internal controls

As of June 30, 2022

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 June 30, 2022 (hereinafter: “the Report”).
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact nor omit to state any material fact necessary so that the statements included therein, in light of the circumstances under which such statements were made, would not be misleading with respect to the period covered by the Report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the Report fairly present, in all material respects, the financial condition, results of operations, and changes in shareholders' equity and cash flows of the Bank as of the dates and for the periods presented in this Report.
4. I and others at the Bank who provide this certification, are responsible for determining and maintaining controls and procedures with regard to disclosure(1) and to the Bank's internal controls over financial reporting(1) as well as:
   A. We have determined such controls and procedures, or caused these controls and procedures to be determined under our supervision, for the purpose of ensuring that material information relating to the Bank, including its subsidiaries, is made known to us by others in the Bank and in those entities, particularly during the period in which the Report is being prepared;

   B. We have set such internal controls over financial reporting, or had it set under our supervision, intended to provide a reasonable degree of certainty with regard to the reliability of financial reporting and to the fact that the financial statements for external use are prepared in accordance with generally accepted accounting principles and with directives and guidelines of the Supervisor of Banks;

   C. We have evaluated the effectiveness of the Bank’s disclosure controls and procedures and presented our conclusions about the effectiveness of the disclosure controls and procedures in this Report, as of the end of the period covered by this Report based on our evaluation; and

   D. We have disclosed in this Report any change in the Bank’s internal controls over financial reporting that occurred during this quarter, that has materially affected, or is reasonably likely to materially affect, the Bank’s internal controls over financial reporting; and
5. I and others in the Bank who are declaring this certification, have disclosed, based on our most recent evaluation of the internal controls over financial reporting, to the Bank’s independent auditors, the Board of Directors and the Audit and Balance Sheet Committees of the Board of Directors of the Bank:
   A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting which are reasonably likely to impair the Bank’s ability to record, process, summarize and report financial information; and

   B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank’s internal controls over financial reporting.

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

Menahem Aviv

Vice-president
Chief Accountant
August 15, 2022

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

Deloitte.

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

Introduction

We have reviewed the enclosed financial information of Bank Mizrahi Tefahot Ltd. and subsidiaries thereof ("the Bank"), consisting of the condensed consolidated balance sheet as of June 30, 2022, the condensed consolidated statements of profit and loss, comprehensive income, changes to shareholder equity and cash flows for the six-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 this interim period, based on our review.

We did not review the condensed financial information of certain consolidated subsidiaries, whose assets included in consolidation constitute 4.33% of total consolidated assets as of June 30, 2022, and whose net interest revenues before expenses with respect to credit losses included in the consolidated statements of profit and loss constitute 5.14% and 5.08% of total consolidated net interest revenues before expenses with respect to credit losses, respectively, for the six-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, August 15, 2022

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Bank Mizrahi Tefahot

Condensed financial statements as of June 30, 2022

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Condensed consolidated statements of profit and loss

Reported amounts (NIS in millions)

		For the three months ended June 30		For the six months ended June 30		For the year ended December 31
		2022	2021	2022	2021	2021
	Note		(Unaudited)	(Unaudited)		(Audited)
Interest revenues	2	3,961	3,085	7,105	5,293	10,557
Interest expenses	2	1,508	1,050	2,508	1,567	2,872
Interest revenues, net		2,453	2,035	4,597	3,726	7,685
Expenses (income) with respect to credit losses	6.13	107	(240)	186	(227)	(278)
Interest revenues, net after expenses with respect to credit losses		**2,346**	**2,275**	**4,411**	**3,953**	**7,963**
Non-interest revenues						
Non-interest financing revenues	3	176	66	293	255	401
Commissions		508	469	1,028	946	1,947
Other revenues		66	75	498	141	287
Total non-interest revenues		**750**	**610**	**1,819**	**1,342**	**2,635**
Operating and other expenses						
Payroll and associated expenses		924	843	1,833	1,713	3,536
Maintenance and depreciation of buildings and equipment		254	245	491	485	1,002
Other expenses		264	245	506	476	1,030
Total operating and other expenses		**1,442**	**1,333**	**2,830**	**2,674**	**5,568**
Pre-tax profit		1,654	1,552	3,400	2,621	5,030
Provision for taxes on profit		572	540	1,141	898	1,730
After-tax profit		**1,082**	**1,012**	**2,259**	**1,723**	**3,300**
Share in profit (loss) of associated companies, after tax		1	1	2	(11)	(10)
Net profit:						
Before attribution to non-controlling interests		1,083	1,013	2,261	1,712	3,290
Attributable to non-controlling interests		(30)	(25)	(54)	(48)	(102)
Attributable to shareholders of the Bank		**1,053**	**988**	**2,207**	**1,664**	**3,188**

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

M. Vidman
Moshe Vidman
Chairman of the Board of Directors

Moshe Lari
President & CEO

Menahem Aviv
Vice-president, Chief Accountant

Approval date:
Ramat Gan, August 15, 2022

Condensed consolidated statements of profit and loss – Continued

Reported amounts (NIS in millions)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	**2021**	**2022**	**2021**	**2021**
		(Unaudited)		**(Unaudited)**	**(Audited)**
Earnings per share[1] (in NIS)					
Basic earnings					
Net profit attributable to shareholders of the Bank	4.11	3.87	8.65	6.52	12.47
Weighted average number of ordinary shares used to calculate basic earnings (thousands of shares)	256,515	255,326	255,111	255,201	255,679
Diluted earnings					
Net profit attributable to shareholders of the Bank	4.09	3.85	8.61	6.50	12.35
Weighted average number of ordinary shares used to calculate diluted earnings (thousands of shares)	257,769	256,549	256,479	256,143	258,056

(1) Share of NIS 0.1 par value.

Condensed consolidated statements of comprehensive income

Reported amounts (NIS in millions)

	Note	For the three months ended June 30 2022	2021	For the six months ended June 30 2022	2021	For the year ended December 31 2021
		(Unaudited)		(Unaudited)		(Audited)
Net profit:						
Before attribution to non-controlling interests		1,083	1,013	2,261	1,712	3,290
Attributable to non-controlling interests		(30)	(25)	(54)	(48)	(102)
Net profit attributable to shareholders of the Bank		**1,053**	**988**	**2,207**	**1,664**	**3,188**
Other comprehensive income (loss) before taxes	4					
Adjustments for presentation of available-for-sale bonds at fair value, net		(351)	30	(695)	(35)	25
Adjustments from translation of financial statements of investments in associated companies[1]		-	-	-	(1)	(1)
Net gains (losses) with respect to cash flows hedging		17	(1)	6	(31)	(33)
Adjustments of liabilities with respect to employees' benefits[2]		178	30	392	41	(18)
Total other comprehensive income (loss), before tax		**(156)**	**59**	**(297)**	**(26)**	**(27)**
Related tax effect		65	(20)	113	8	7
Other comprehensive income (loss) after taxes[3]						
Other comprehensive income (loss), before attribution to non-controlling interests		(91)	39	(184)	(18)	(20)
Less other comprehensive income (loss) attributed to non-controlling interests		2	5	7	6	7
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes		**(93)**	**34**	**(191)**	**(24)**	**(27)**
Comprehensive income:						
Before attribution to non-controlling interests		992	1,052	2,077	1,694	3,270
Attributable to non-controlling interests		(32)	(30)	(61)	(54)	(109)
Comprehensive income attributable to shareholders of the Bank		**960**	**1,022**	**2,016**	**1,640**	**3,161**

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

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

Condensed consolidated balance sheets

Reported amounts (NIS in millions)

	Note	As of June 30		As of December 31
		2022	2021	2021
			(Unaudited)	(Audited)
Assets				
Cash and deposits with banks		81,330	94,337	95,267
Securities[1][2]	5	22,384	17,539	15,033
Securities borrowed or purchased in resale agreements		2,124	187	1,332
Loans to the public	6.13	300,871	256,441	273,531
Provision for credit losses	6.13	(2,638)	(2,205)	(2,103)
Loans to the public, net	6.13	298,233	254,236	271,428
Loans to Governments		464	578	477
Investments in associated companies		109	19	69
Buildings and equipment		1,421	1,678	1,734
Intangible assets and goodwill		193	223	208
Assets with respect to derivatives	11	7,080	2,426	3,652
Other assets		3,631	3,147	3,071
Total assets		**416,969**	**374,370**	**392,271**
Liabilities and Equity				
Deposits from the public	7	327,884	294,391	307,924
Deposits from banks		8,515	5,945	6,992
Deposits from the Government		57	43	81
Bonds and subordinated notes		35,173	35,594	38,046
Liabilities with respect to derivatives	11	6,264	2,412	3,753
Other liabilities [3]		15,893	14,622	13,746
Total liabilities		**393,786**	**353,007**	**370,542**
Shareholders' equity attributable to shareholders of the Bank		22,166	20,444	20,770
Non-controlling interests		1,017	919	959
Total equity		**23,183**	**21,363**	**21,729**
Total liabilities and equity		**416,969**	**374,370**	**392,271**

(1) Of which: NIS 18,549 million at fair value on consolidated basis (on June 30, 2021: NIS 13,827 million; on December 31, 2021: NIS 11,685 million).
(2) For more information with regard to securities pledged or provided as collateral to lenders, see Note 5 to the financial statements.
(3) Of which: Provision for credit losses with respect to off balance sheet credit instruments amounting to NIS 216 million (on June 30, 2021: NIS 211 million, on December 31, 2021: NIS 211 million).

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

Condensed Statements of Changes in Shareholders' Equity

Reported amounts (NIS in millions)

	Share capital and premium[(1)]	Capital reserve from benefit from share-based payment transactions	Total paid-up share capital and capital reserves	Cumulative other comprehensive income (loss)[(3)]	Retained earnings[(4)]	Total shareholders' equity	Non-controlling interests	Total equity
	For the three months ended June 30, 2022 (unaudited)							
Balance as of March 31, 2022	3,497	76	3,573	(401)	18,027	21,199	985	22,184
Net profit for the period	-	-	-	-	1,053	1,053	30	1,083
Benefit from share-based payment transactions	-	7	7	-	-	7	-	7
Realization of share-based payment transactions[(2)]	3	(3)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	(93)	-	(93)	2	(91)
Balance as of June 30, 2022	**3,500**	**80**	**3,580**	**(494)**	**19,080**	**22,166**	**1,017**	**23,183**
	For the three months ended June 30, 2021 (unaudited)							
Balance as of March 31, 2021	3,447	85	3,532	(334)	16,224	19,422	889	20,311
Net profit for the period	-	-	-	-	988	988	25	1,013
Realization of share-based payment transactions[(2)]	13	(13)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	34	-	34	5	39
Balance as of June 30, 2021	**3,460**	**72**	**3,532**	**(300)**	**17,212**	**20,444**	**919**	**21,363**

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

(2) In the second quarter of 2022, 76,263 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.
In the second quarter of 2021, 331,016 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.

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

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

- On August 15, 2022, after the balance sheet date, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 316 million, 30% of earnings in the second quarter of 2022. According to accounting rules, this amount will be deducted from retained earnings in the third quarter of 2022.

Condensed Statement of Changes in Shareholders' Equity – Continued

Reported amounts (NIS in millions)

	Share capital and premium[1]	Capital reserve from benefit from share-based payment transactions	Total paid-up share capital and capital reserves	Cumulative other comprehensive income (loss)[2]	Retained earnings[3]	Total shareholders' equity	Non-controlling interests	Total equity
	For the six months ended June 30, 2022 (unaudited)							
Balance as of December 31, 2021	3,497	76	3,573	(303)	17,500	20,770	959	21,729
Opening balance adjustment for effect of initial application of US GAAP with regard to credit losses[4]	-	-	-	-	(355)	(355)	(3)	(358)
Adjusted balance as of January 1, 2022 after initial application	3,497	76	3,573	(303)	17,145	20,415	956	21,371
Net profit for the period	-	-	-	-	2,207	2,207	54	2,261
Dividends paid[5]	-	-	-	-	(272)	(272)	-	(272)
Benefit from share-based payment transactions	-	7	7	-	-	7	-	7
Realization of share-based payment transactions[6]	3	(3)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	(191)	-	(191)	7	(184)
Balance as of June 30, 2022	**3,500**	**80**	**3,580**	**(494)**	**19,080**	**22,166**	**1,017**	**23,183**
	For the six months ended June 30, 2021 (unaudited)							
Balance as of December 31, 2020	3,445	87	3,532	(276)	15,548	18,804	865	19,669
Net profit for the period	-	-	-	-	1,664	1,664	48	1,712
Realization of share-based payment transactions[6]	15	(15)	-	-	-	-	-	-
Other comprehensive income (loss), net, after tax	-	-	-	(24)	-	(24)	6	(18)
Balance as of June 30, 2021	**3,460**	**72**	**3,532**	**(300)**	**17,212**	**20,444**	**919**	**21,363**
	For the year ended December 31, 2021 (audited)							
Balance as of December 31, 2020	3,445	87	3,532	(276)	15,548	18,804	865	19,669
Net profit for the period	-	-	-	-	3,188	3,188	102	3,290
Dividends paid	-	-	-	-	(1,236)	(1,236)	-	(1,236)
Benefit from share-based payment transactions	-	41	41	-	-	41	-	41
Realization of share-based payment transactions[6]	52	(52)	-	-	-	-	-	-
Dividends attributable to non-controlling interests in subsidiary	-	-	-	-	-	-	(15)	(15)
Other comprehensive income (loss), net, after tax	-	-	-	(27)	-	(27)	7	(20)
Balance as of December 31, 2021	**3,497**	**76**	**3,573**	**(303)**	**17,500**	**20,770**	**959**	**21,729**

(1) Share premium generated prior to March 31, 1986.
(2) For more information see Note 4 – Cumulative other comprehensive income.
(3) For information about various restrictions on dividend distribution, see Note 24 to the 2021 financial statements.
(4) Cumulative effect of initial application of generally accepted accounting principles for banks in the USA with regard to leases (ASU-2016-02) and updates there to. See also Note 1.D.1. to the 2021 financial statements.
(5) On March 15, 2022, a dividend distribution amounting to NIS 272 million was made in conformity with resolution by the Bank's Board of Directors.
(6) in the first half of 2022, 81,632 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.in the first half of 2021, 416,968 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.In 2021, 1,432,671 ordinary shares of NIS 0.1 par value were issued for exercise of options pursuant to the Employee Stock Option Plan.

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 June 30		For the six months ended June 30		For the year ended December 31
	2022	**2021**	**2022**	**2021**	**2021**
		(Unaudited)		**(Unaudited)**	**(Audited)**
Cash flows provided by current operations					
Net profit	1,083	1,013	2,261	1,712	3,290
Adjustments					
Share of the Bank in undistributed earnings of associated companies	(1)	(1)	(2)	11	10
Depreciation of buildings and equipment (including impairment)	101	84	173	174	339
Expenses with respect to credit losses	107	(240)	186	(227)	(278)
Gain from sale of securities available for sale and shares not held for trading	24	(7)	8	(37)	(111)
Realized and unrealized loss (gain) from adjustment to fair value of securities held for trading	(18)	5	(31)	13	26
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	30	(55)	23	(111)	(97)
Gain from sale of buildings and equipment	-	-	(240)	-	(18)
Impairment of shares not held for trading	14	-	16	4	9
Expenses arising from share-based payment transactions	7	-	7	-	41
Deferred taxes, net	(124)	68	(466)	56	78
Change in employees' provisions and liabilities	543	34	386	33	1,111
Adjustments with respect to exchange rate differentials	(1) (175)	186	(229)	57	52
Accrual differences included with investment and financing operations	(1) 309	309	410	387	324
Net change in current assets					
Assets with respect to derivatives	(3,709)	1,216	(3,421)	2,086	858
Securities held for trading	76	(41)	(211)	(92)	815
Other assets, net	(16)	401	13	181	259
Net change in current liabilities					
Liabilities with respect to derivatives	3,324	(760)	2,511	(3,094)	(1,753)
Other liabilities	794	(863)	732	1,209	(824)
Net cash provided by current operations	**2,369**	**1,349**	**2,126**	**2,362**	**4,131**

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

(1) reclassification

Condensed statements of cash flows – Continued

Reported amounts (NIS in millions)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
		(Unaudited)		(Unaudited)	(Audited)
Cash flows provided by investment activities					
Net change in deposits with banks	59	3,324	(453)	385	499
Net change in loans to the public	(1) (14,666)	(4,001)	(25,876)	(7,635)	(24,087)
Net change in loans to Governments	(7)	4	13	35	136
Net change in securities loaned or acquired in resale agreements	(1,582)	(48)	(792)	13	(1,132)
Acquisition of bonds held to maturity	(814)	(95)	(957)	(318)	(447)
Proceeds from redemption of securities held to maturity	34	203	127	635	1,247
Acquisition of securities available for sale	(1) (7,291)	(1,520)	(10,253)	(8,424)	(12,078)
Proceeds from sale of securities available for sale	(1) 3,511	848	4,140	4,971	8,316
Proceeds from redemption of securities available for sale	91	2,678	181	2,885	4,320
Proceeds from sale of loan portfolios	3	-	3	-	234
Purchase of loan portfolios – public	(457)	(458)	(1,039)	(854)	(1,778)
Acquisition of buildings and equipment	(80)	(63)	(121)	(111)	(336)
Proceeds from sale of buildings and equipment	(42)	3	502	3	35
Purchase of shares in associated companies	1	-	(39)	-	(49)
Proceeds from realized investment in associated companies	-	-	1	1	1
Net cash provided by investment activities	**(21,240)**	**875**	**(34,563)**	**(8,414)**	**(25,119)**
Cash flows provided by financing operations					
Net change in deposits from the public	15,231	625	19,960	10,167	23,700
Net change in deposits from banks	1,665	1,652	1,523	2,166	3,213
Net change in deposits from Government	(9)	(1)	(24)	(27)	11
Issuance of bonds and subordinated notes	2,402	1,955	2,402	1,955	7,304
Redemption of bonds and subordinated notes	(3,870)	-	(5,771)	-	(2,741)
Dividends paid to shareholders	-	-	(272)	-	(1,236)
Dividends paid to external shareholders in subsidiaries	-	-	-	-	(15)
Net cash provided by financing operations	**15,419**	**4,231**	**17,818**	**14,261**	**30,236**
Increase (decrease) in cash	(3,452)	6,455	(14,619)	8,209	9,248
Cash balance at beginning of the period	83,548	87,348	94,661	85,465	85,465
Effect of changes in exchange rate on cash balances	175	(186)	229	(57)	(52)
Cash balance at end of the period	**80,271**	**93,617**	**80,271**	**93,617**	**94,661**
Interest and taxes paid / received					
Interest received	1,932	2,605	4,711	5,225	10,938
Interest paid	1,578	719	2,657	1,177	2,393
Dividends received	7	4	10	8	20
Income taxes received	10	12	34	20	-
Income taxes paid	575	380	942	677	1,471
Appendix A – Non-cash Transactions					
Acquisition of buildings and equipment	-	1	1	1	2
Sales of buildings and equipment	-	-	-	-	-

(1) reclassification

Note 1 – Reporting Principles and Accounting Policies

A. Overview

On August 15, 2022, the Bank's Board of Directors authorized publication of these condensed financial statements as of June 30, 2022.

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

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

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

B. Use of estimates

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

C. Re-classification

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

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

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

1. Adoption of updates to generally acceptable accounting practices by US banks – Financial instruments – Credit losses (ASU 2016 13) and other directives included in the Q&A file issued by the Supervisor of Banks on this matter, circular no. 2634-06 regarding implementation of generally acceptable accounting practices by US banks with regard to expected credit losses – revised public reporting regulations, circular no. 2635-06 regarding supervisory capital – effect of implementation of accounting practices with regard to expected credit losses, circular no. 2650-06 regarding expected credit losses from financial instruments – revised Proper Banking Conduct Directives, circular no. 2651-06 regarding implementation of accounting practices with regard to expected credit losses from residential mortgages – revised public reporting regulations.

2. Discontinued use of LIBOR and transition to using alternative reference interest rates.

3. Update to Public Reporting Directive with regard to presentation of return on equity and quarterly revenue and expense rates on annualized basis.

Note 1 – Reporting Principles and Accounting Policies – continued

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

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

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

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

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

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

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

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

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

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

Note 1 – Reporting Principles and Accounting Policies – continued

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

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

The Bank has specified procedures for identification of problematic credit and for classification of debt so as to distinguish between problematic debt, including non-accruing debt, and debt in good standing. According to these procedures, the Bank classifies all its problematic debt and off-balance sheet credit items under these classifications: special supervision, inferior or non-accruing.

Debt classified as non-accruing debt, where based on current information and events it is expected that the Bank would not be able to collect all amounts due in conformity with contractual terms and conditions of the debt agreement.

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

A. Commercial credit with respect to debt with contractual balance over NIS 1 million

Decisions with regard to debt classification and the required provision are made based, inter alia, on the past-due status of the debt, assessment of the borrower's financial standing and repayment capacity, assessment of the primary debt repayment source, existence of collateral and its status, the financial standing of guarantors, if any and their commitment to support the debt and the borrower's capacity to obtain financing from third parties.

In any case, such commercial debt is classified as non-accruing debt when its principal or interest is in arrears for 90 days or longer, unless the debt is well secured and is in collection proceedings, or if the debt has undergone restructuring of problematic debt.

As from the classification date as non-accruing debt, debt is treated as debt not accruing interest income (such debt is known as "non-accruing debt").

For more information about accounting write-off rules with respect to such debts, see section "Accounting write-off" later in this section.

B. Credit to individuals, residential mortgages and commercial credit with respect to debt with contractual balance below NIS 1 million

Decision on debt classification is based on the state of arrears of such debt. To this end, the Bank monitors the arrears days determined with reference to contractual repayment terms thereof.

Such debt, in arrears 90 days or longer, is classified as inferior debt when the Bank does not discontinue accrual of interest income, except for residential mortgages which are classified as debt not accruing interest income when principal or interest with respect there to is in arrears 90 days or longer.

For more information about accounting write-off rules with respect to such debts, see section "Accounting write-off" later in this section.

Policy on debt re-structuring and treatment of problematic debt under re-structuring

In order to determine whether a debt re-structuring conducted by the Bank constitutes re-structuring of problematic debt, the Bank conducts a qualitative review of all terms and conditions of the re-structuring and the circumstances thereof, in order to determine whether:

(1) the creditor is in financial duress; and (2) the Bank made a concession to the debtor in conjunction with the arrangement.

In order to determine whether the creditor is in financial duress, the Bank considers if there are any indications that the creditor is in duress upon the re-structuring date, or existence of a reasonable likelihood that the creditor would be in financial duress if not for the re-structuring.

Note 1 – Reporting Principles and Accounting Policies – continued

The Bank also concludes that a concession was made to the debtor in conjunction with the arrangement, even if the contractual interest rate was increased in the arrangement – if one or more of the following exists:

- Due to re-structuring, the Bank is not expected to collect the entire debt amount (including interest accrued in conformity with contractual terms and conditions);
- The current fair value of collateral, for debts contingent on collateral, does not cover the contractual debt balance and indicates that the entire debt amount may not be collectable;

The Bank does not classify debt as restructured problematic debt, if the re-structurung results in insignificant delay in repayment considering the payment frequency, the contractual term to maturity and the original term to maturity of the debt. For this matter, if multiple arrangements took place involving changes to debt terms, the Bank accounts for the accumulated effect of previous structurings in order to determine whether the deferral of payments is insignificant.

In general, re-structuring which results in delayed payments by 90 days or longer compared to the contract is considered a re-structuring that results in significant delay in repayment.

Re-instatemen of non-accruing debt to accruing debt status

Typically, non-accruing debt is re-instated to accruing debt status in either of these two cases:

A. It includes no principal or interest components which are past due, and the Bank anticipates payment of the outstanding principal and interest in full according to contractual terms (includes amounts subject to accounting write-off or provision).
B. When the debt has become well-secured and is in collection proceedings.

Moreover, for debt which has undergone formal re-structuring of problematic debt, which was classified as non-accruing debt upon the date of change in terms and conditions, the Bank may reinstate the debt in accruing status, provided that a current, documented credit analysis has been prepared which supports re-instatement of accruing status based on the debtor's financial standing and the repayment likelihood base on the current terms and conditions. Such assessment is based on the debtor's continuous historical repayment performance for payments in cash and cash equivalents over as reasonable period of six months or longer.

Furthermore, with regard to debt which has undergond formal re-structuring of problematic debt, which was classified as accruing debt prior to such re-structuring, the Bank may continue to accrue interest, proided that after such re-structuring the colletion of principal and interest in conformity with the revised terms and conditions is reasonably assured, based on a current, well-based credit analysis, provided that the debtor has a history of continuous repayment performance for a reasonable period priror to such changes and that re-structuring has improved the likelihood of the loan being collected in conformity with a reasonable repayment schedule.

As from January 1, 2022, these provisions with regard to treatment of problematic debt under re-structuring apply to residential mortgages.

According to directives included in the Q&A for application of new rules with regard to expected credit losses, the Bank has elected to apply the new rules with regard to identification of re-structuring of problematic debts, and to measure the provision for credit losses using the method required pursuant to these rules for debts under re-structuring of problematic debt, with respect to changes made to residential mortgages prior to January 1, 2022.

Provision for credit losses – measurement

As noted above, as from January 1, 2022, the Bank applies generally acceptable accounting practices by US banks with regard to measurement of credit losses from financial instruments, as set forth in topic 326 of the codification (ASC 326) "Financial instruments – credit losses".

As part of the application of this standard, the Bank has put in place procedures for classification of credit and for measurement of provision for credit losses, in order to maintain an appropriate provision to cover expected credit losses with regard to the Bank's loan portfolio. Further, the Bank has put in place procedures to be followed for an appropriate provision to cover expected credit losses with regard to bonds held to maturity and the portfolio of bonds available for sale and certain off-balance sheet credit exposures.

The estimated provision for expected credit losses is calculated over the contractual term of the financial asset, taking into account estimated early repayment.

Note 1 – Reporting Principles and Accounting Policies – continued

In developing the estimated expected credit losses, the Bank accounted for the effects of past events, current terms and conditions and reasonable forecasts which can be founded about collectability of the financial assets.

In general, calculation of the provision for expected credit losses is estimated on group basis when assets have similar risk attributes. These attributes include the following: (1) Credit score or rating, either internal or external; (2) risk rating or risk classification; (3) type of financial asset; (4) type of collateral; (5) size; (6) borrower's operating sector.

For each group of financial assets with similar risk attributes, the Bank calculates the provision for expected credit losses using one of the methods for measurement of such provision as allowed by the standard, which the Bank expects should result in the best estimate of provisions for credit losses.

In order to estimate expected credit losses over the contractual terms of the assets, the Bank relies on historical information, reviewing the need to adjust such historical information to reflect the extent to which current conditions and reasonable forecasts which can be founded differ from those in the period when the historical information was assessed.

When the reasonable period that may be founded, as determined by the Bank, is shorter than the duration of the financial asset, the Bank resumes use of historical information not adjusted for current economic conditions nor for expectations of future economic conditions, such as: change in unemployment rate, asset values, commodity values, arrears and so forth. The return to information about historical losses may be in one of the following methods: (1) Immediate return; (2) return on straight line basis; (3) use of another logical and methodical basis.

Provision for credit losses – consumer loans (non-residential mortgages)

For the consumer loan portfolio, which includes loans to individuals, other than residential mortgages, the Bank measures the provision for expected credit losses using a model which calculates the probability of default (PD) and the loss given default (LGD) ("the PD/LGD Method"), by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, type of collateral and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the consumer loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Provision for credit losses – residential mortgages

For the residential mortgage portfolio, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, term to maturity, loan age and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the residential mortgages portfolio and because the Bank does not generate forecasts for periods longer than one year, return to historical default rates is gradual over half of the average duration in the residential mortgage portfolio – 4 years.

Provision for credit losses – retail business loans

For the retail business loan portfolio, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, borrower's operating sector, type of collateral and so forth.

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the retail business loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Provision for credit losses – business loans

For the business loan portfolio, the Bank measures the provision for expected credit losses by dividing the loan portfolio into segments with similar risk attributes, such as internal customer rating, type of financial asset, borrower's operating sector, type of collateral and so forth. The provision is determined by a method which calculates the average historical loss rates for each segment (WARM method).

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. In view of the attributes of the business loan portfolio and the relatively short average duration in this portfolio, return to historical default rates is immediate after one year.

Note 1 – Reporting Principles and Accounting Policies – continued

Provision for credit losses – large-scale loans with unique risk attributes

For loans extended for project financing and loans extended for financing of means of control (where loans are in excess of 0.5% of Bank equity), the Bank measures the provision for expected credit losses based on the PD/LGD method, with the calculation based on rating information from global rating agencies (Moody's / S&P).

Macro-economic adjustments for the next 12 months are added to the default rates resulting from the model, in conformity with the directive. Similar to the business credit segment, return to historical default rates is immediate after one year.

Provision for credit losses – loans to governments and banks

For loans to governments and banks, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as internal and external rating, type of financial asset and so forth.

The Bank has also set criteria and factors to be taken into account in order to determine that for some exposures to governments, the expected credit losses are near zero.

Provision for credit losses – off-balance sheet exposures

Off-balance sheet exposures include credit exposures with respect to commitment to extend credit, letters of credit, financial guarantees not treated as insurance and other similar instruments.

The provision for credit losses with respect to off-balance sheet exposures is assessed in conformity with rules set forth in Topic 326 of the codification, based on the provision rates determined for on-balance sheet credit (as described above), taking into account the expected credit realization rate upon default of the off-balance sheet exposure risk, in conformity with Basel coefficients.

The Bank does not calculate an estimated provision for expected credit losses with respect to off-balance sheet commitment to extend credit which may be un-conditionally terminated by the Bank.

Provision for credit losses – securities in portfolio held to maturity

For securities in the portfolio held to maturity, the Bank measures the provision for expected credit losses using the PD/LGD method, by dividing the loan portfolio into segments with similar risk attributes, such as issuer type, duration, interest rate, payment frequency and so forth.

The Bank does not measure expected credit losses with respect to certain government bonds, because the information about historical credit losses, adjusted for current conditions and for reasonable forecasts that may be founded, results in expectation that non-payment of the amortized cost basis is zero.

Provision for credit losses – bonds available for sale

The Bank estimates the expected credit losses with respect to bonds available for sale upon each reporting date, when the fair value is lower than the amortized cost.

Whenever the fair value is lower than the amortized cost, the Bank reviews whether the impairment of fair value is due to credit losses or to other factors. Impairment resulting from credit losses is recognized by way of a provision for credit losses, and impairment not recognized by way of a provision for credit losses is recognized under Other Comprehensive Income, net of tax.

In conformity with provisions of Topic 326 of the codification, the Bank calculates the provision for expected credit losses for securities available for sale individually, using the discounted cash flow method, used by the Bank to compare the present value of expected future cash flows, determined based on past events, current conditions and reasonable forecasts that can be founded (such as: sector, geographic, economic and political factors relevant for collectability of the bond), to the amortized cost basis of the securities. Such provision is recognized against an expense with respect to credit loss, to reflect the credit loss component of impairment of the fair value to below the amortized cost. The provision for credit losses with respect to bonds available for sale is capped and may not exceed the difference between the amortized cost and the (lower) fair value, known as "fair value floor".

If the fair value of the securities increases over time, any provision for credit losses which has not been written off is reversed by reducing the expense with respect to credit losses.

Note 1 – Reporting Principles and Accounting Policies – continued

Provision for credit losses – net lease investments

For the balance of net lease investments recognized by a lessor in conformity with Topic 842 of the codification regarding leases. The impact of application of this standard is insignificant.

Provision for credit losses – loans evaluated on individual basis

For commercial loans with contractual balance over NIS 1 million, classified as non-accruing, for which specific issues have been identified unlike attributes of other debts, the Bank applies the discounted cash flow method, calculated for each and every debt to determine the provision for credit losses on individual basis.

Reviews of overall appropriateness of the provision

Further, the Bank reviews the overall appropriateness of the provision for credit losses. Such assessment of appropriateness is based on Management discretion, taking into account the inherent risk in the loan portfolio and weaknesses and restrictions of assessment methods applied by the Bank to determine the provision.

Accounting write-off

The Bank makes accounting write-offs of any debt, or part thereof, considered to be uncollectible and of low value, so that maintaining it as an asset is not justified, or any debt which is subject to long-term collection efforts by the Bank (typically defined as terms in excess of two years).

For debt secured by collateral, the Bank immediately conducts an accounting write-off against the balance of provision for credit losses, for the portion of recorded debt balance in excess of fair value of the collateral.

For commercial loans with respect to debt with contractual balance (without deduction of any write-offs not subject to legal waiver, un-recognized interest, provisions for credit losses and collateral) lower than NIS 1 million, and loans to individuals, other than residential mortgages, the Bank conducts an accounting write-off when such debt is in arrears 150 days or longer. Note, in this regard, that for debt secured by collateral other than a residential apartment, and seizure of the collateral has started and is certain, the Bank only conducts an accounting write-off of the excess recorded debt balance over the collateral value (net of selling costs).

Residential mortgages for residential mortgages secured by a residential property, the Bank conducts a current assessment of collateral value, no later than the date when the debt is in arrears 180 days or longer, and conducts an accounting write-off of the excess recorded debt balance over the collateral value (net of selling costs).

Note that accounting write-offs do not involve a legal waiver, and only reduce the reported debt balance for accounting purposes, by creating a new cost basis for the debt on Bank books.

Disclosure requirements

The Bank applies disclosure requirements for creditworthiness of debt and for provision for credit losses, as stipulated in codification section 310-10 "Debts" and in conformity with disclosure requirements in codification section 326-20 "Financial instruments – credit losses – instruments measured at amortized cost", on consolidated basis.

See also Note 6 regarding "Credit risk, loans to the public and provision for credit losses" and Note 13 regarding "Additional information about credit risk, loans to the public and provision for credit losses" to these sample interim financial statements.

The Bank has adapted these disclosures to the new disclosure format and to disclosure with regard to non-accruing debts, in lieu of impaired debts, with re-classification of comparison figures, to adapt them to the new disclosure format, except for disclosure requirements with respect to credit quality by year when credit was extended, which does not require comparison figures for periods prior to initial application.

Note 1 – Reporting Principles and Accounting Policies – continued

Below is a summary of the effect of transition to application of the new rules, as of January 1, 2022:

	December 31, 2021	Effect of CECL implementation	January 1, 2022
			NIS in millions
	(Audited)		(Unaudited)
1. Provision for credit losses			
Total provision for credit losses	2,103	378	2,481
Of which: Provision for credit losses – commercial portfolio	1,061	334	1,395
Of which: Provision for credit losses – residential mortgages	804	(40)	764
Of which: Provision for credit losses – private indivduals, other	238	84	322
2. Shareholders' equity			
Retained earnings	17,500	[1](355)	17,145
3. Capital adequacy and leverage[2]			
Tier I equity ratio	10.04	(0.08)	9.96
Total capital ratio	13.66	(0.06)	13.60
Leverage ratio	5.18	(0.03)	5.15

(1) The decrease in retained earnings with respect to increase in provision for credit losses, including provision with respect to off-balance sheet balances recognized under Other Liabilities and non-recognized interest revenues, and net of tax effect.

(2) The effect on the capital adequacy ratio includes the effect of net change in loans to the public, the deduction from capital with respect to residential mortgages in default for an extended period, and attribution of initial application over a 3-year period, in conformity with the transition provisions.

2. Discontinued use of LIBOR and transition to using alternative reference interest rates

In conformity with the interest rate benchmark reform, inter-bank interest rates (IBOR rates) were discontinued and replaced by alternative interest rate benchmarks that may be observed or that are based on actual transactions, thus less sensitive to manipulation. Accordingly, a decision was made to gradually discontinue the use of LIBOR.

On October 3, 2021, the Supervisor of Banks issued a circular regarding Proper Conduct of Banking Business Directive 250A "Transition from LIBOR Interest Rates", so as to help in completing preparations of the banking system in Israel for this transition.

As from January 1, 2022, the Bank discontinued use of LIBOR for transactions conducted as from said date. For transactions in USD dating from prior to the transition date, the Bank continues to use LIBOR through June 2023. For transactions in other currencies dating from prior to the transition date, the reference interest rates have been replaced. This change did not materially impact the financial statements.

3. Update to Public Reporting Directive with regard to presentation of return on equity and quarterly revenue and expense rates on annualized basis

In conformity with the update, the Bank's financial statements as of June 30, 2022 include revision of comparative figures with respect to return calculations, including calculation of return on equity, for interim periods.

Note 1 – Reporting Principles and Accounting Policies – continued

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

Amendment	Publication requirements	Start date and transition provisions	Implications
Update to standard ASU 2022-01 regarding improvements to application of fair value hedge accounting using the layer method	On March 28, 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-01 regarding improvements to application of fair value hedge accounting using the layer method in the portfolio, designed to best align hedge accounting with the company's risk management policy (hereinafter: "the Update"). Highlights of amendments in the Update include, *inter alia*, expansion of the final layer method so as to allow for hedging of multiple layers, clarifications with regard to accounting treatment and additional disclosure requirements.	January 1, 2023	The Bank is reviewing the effect of the new provisions on its financial statements
Update to standard ASU 2022-02 regarding re-structuring of problematic debts and disclosure requirements by year when credit was extended	On March 31, 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-02 regarding re-structuring of problematic debts and disclosure requirements by year when credit was extended with regard to provisions for credit losses (hereinafter: "the Update"). The Update rescinds the provisions regarding re-structuring of problematic debts by lenders, improving the disclosure requirements with respect to borrowers facing economic challenges. The Update also adds a disclosure requirement regarding gross write-offs by year when credit was extended.	January 1, 2023	The Bank is reviewing the effect of the new provisions on its financial statements
Extension of transitional provision regarding implementation of provisions of Section 830 of the Codification "Foreign currency "	The transitional provision instructs banking corporations not to include exchange rate differentials with respect to available-for-sale bonds as part of fair value adjustment of such bonds, but rather to continue treating these as stipulated in the Public Reporting Directives prior to adoption of Section 830 of the Codification "Foreign currency", through December 31, 2022.	January 1, 2023	No material impact is expected
Update to Proper Conduct of Banking Business Directive 203 "Capital measurement and adequacy"	On May 22, 2022, the Supervisor of Banks issued a circular, whereby loans designated for purchase of land for development or construction, with an LTV higher than 80% of value of the acquired property, shall carry an increased risk weighting of 150%. For more information see Note 9.I.	July 1, 2022	No material impact is expected

Note 2 – Interest revenues and expenses

Reported amounts (NIS in millions)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	**2021**	**2022**	**2021**	**2021**
		(Unaudited)		**(Unaudited)**	**(Audited)**
a. Interest revenues[1]					
From loans to the public	3,764	2,993	6,814	5,133	10,242
From loans to Governments	2	3	6	6	11
From deposits with the Bank of Israel and from cash	94	16	120	37	79
From deposits with banks	6	2	7	3	7
From securities loaned or purchased in resale agreements[2]	1	-	1	-	-
From bonds	94	71	157	114	218
Total interest revenues	**3,961**	**3,085**	**7,105**	**5,293**	**10,557**
B. Interest expenses					
On deposits from the public	872	563	1,461	926	1,716
On deposits from governments	-	-	-	-	4
On deposits from banks	1	1	2	2	4
On bonds and subordinated notes	627	485	1,037	638	1,142
On other liabilities	8	1	8	1	6
Total interest expenses	**1,508**	**1,050**	**2,508**	**1,567**	**2,872**
Total interest revenues, net	**2,453**	**2,035**	**4,597**	**3,726**	**7,685**
c. Details of net effect of hedging financial derivatives on interest revenues[3]	32	(67)	83	32	83
d. Details of interest revenues on accrual basis from bonds					
Held to maturity	15	15	24	21	41
Available for sale	78	52	130	87	167
Held for trading	1	4	3	6	10
Total included under interest revenues	**94**	**71**	**157**	**114**	**218**

(1) Includes the effective element in the hedging ratios.
(2) Balance lower than NIS 0.5 million.
(3) Details of effect of hedging derivative instruments: on interest revenues, net.

Note 3 – Non-interest financing revenues

Reported amounts (NIS in millions)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
		(Unaudited)		(Unaudited)	(Audited)
a. Non-interest financing revenues (expenses) with respect to non-trading operations					
1. From activity in derivative instruments					
Net revenues (expenses) with respect to ALM derivative instruments[1]	2,464	(472)	2,939	334	(890)
Total from activity in derivative instruments	**2,464**	**(472)**	**2,939**	**334**	**(890)**
2. From investment in bonds					
Gains on sale of bonds available for sale	(23)	12	(13)	37	60
Total from investment in bonds	**(23)**	**12**	**(13)**	**37**	**60**
3. Exchange rate differences, net	**(2,476)**	**489**	**(2,974)**	**(268)**	**1,124**
4. Gains from investment in shares					
Gains from sale of shares not held for trading	(1)	(5)	5	-	51
Provision for impairment of shares not held for trading	(14)	-	(16)	(4)	(9)
Dividends from shares not held for trading	7	4	10	8	20
Unrealized gains (losses)[3]	(37)	51	(33)	103	77
Total from investment in shares	**(45)**	**50**	**(34)**	**107**	**139**
5. Net gains with respect to loans sold	**-**	**-**	**-**	**-**	**-**
Total non-interest financing revenues with respect to non-trading purposes	**(80)**	**79**	**(82)**	**210**	**433**
b. Non-interest financing revenues (expenses) with respect to trading operations[2]					
Net revenues (expenses) with respect to other derivative instruments	238	(10)	344	56	(6)
Realized gains (losses) from adjustment to fair value of bonds held for trading, net	11	(2)	22	(11)	(30)
Unrealized gains from adjustment to fair value of bonds held for trading, net	7	(1)	9	-	4
Total from trading activity[4]	**256**	**(13)**	**375**	**45**	**(32)**
Details of non-interest financing revenues (expenses) with respect to trading operations, by risk exposure					
Interest exposure	4	(1)	21	19	23
Foreign currency exposure	252	(12)	354	26	(55)
Exposure to shares	-	-	-	-	-
Exposure to commodities and others	-	-	-	-	-
Total	**256**	**(13)**	**375**	**45**	**(32)**

(1) Derivative instruments which constitute part of the Bank's asset and liability management system, which were not designated as hedges.
(2) Includes exchange rate differentials resulting from trading operations.
(3) Including gains / losses from measurement at fair value of shares for which fair value is available, and upward / downward adjustment of shares for which no fair value is available.
(4) For interest revenues from investments in bonds held for trading, see Note 2.D.

Note 4 – Cumulative other comprehensive income (loss)

Reported amounts (NIS in millions)

A. Changes to cumulative other comprehensive income (loss), after tax effect

	Other comprehensive income (loss), before attribution to non-controlling interests						
	Adjus-tments for presentation of available-for-sale bonds at fair value	Translation adjustments[1]	Net gains (losses) from cash flow hedges	Adjustments with respect to employees' benefits[2]	Total	Other compre-hensive income attributed to non-controlling interests	Other compre-hensive income (loss) attributable to shareholders of the Bank
	For the three months ended June 30, 2022						
	(Unaudited)						
Balance as of March 31, 2022	(130)	(2)	(19)	(270)	(421)	(20)	(401)
Net change in the period	(228)	-	11	126	(91)	2	(93)
Balance as of June 30, 2022	**(358)**	**(2)**	**(8)**	**(144)**	**(512)**	**(18)**	**(494)**
	For the three months ended June 30, 2021						
	(Unaudited)						
Balance as of March 31, 2021	39	(2)	(10)	(392)	(365)	(31)	(334)
Net change in the period	19	-	-	20	39	5	34
Balance as of June 30, 2021	**58**	**(2)**	**(10)**	**(372)**	**(326)**	**(26)**	**(300)**
	For the six months ended June 30, 2022						
	(Unaudited)						
Balance as of December 31, 2021	98	(2)	(12)	(412)	(328)	(25)	(303)
Net change in the period	(456)	-	4	268	(184)	7	(191)
Balance as of June 30, 2022	**(358)**	**(2)**	**(8)**	**(144)**	**(512)**	**(18)**	**(494)**
	For the six months ended June 30, 2021						
	(Unaudited)						
Balance as of December 31, 2020	82	(1)	10	(399)	(308)	(32)	(276)
Net change in the period	(24)	(1)	(20)	27	(18)	6	(24)
Balance as of June 30, 2021	**58**	**(2)**	**(10)**	**(372)**	**(326)**	**(26)**	**(300)**
	For the year ended December 31, 2021						
	(Audited)						
Balance as of December 31, 2020	82	(1)	10	(399)	(308)	(32)	(276)
Net change in the period	16	(1)	(22)	(13)	(20)	7	(27)
Balance as of December 31, 2021	**98**	**(2)**	**(12)**	**(412)**	**(328)**	**(25)**	**(303)**

(1) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.
(2) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve for the streamlining program.

Note 4 – Cumulative other comprehensive income (loss) – continued

Reported amounts (NIS in millions)

B. Changes in items of cumulative other comprehensive income (loss) before and after tax effect

	For the three months ended June 30					
			2022			2021
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
						(Unaudited)
Change in items of other comprehensive income (loss), before attribution to non-controlling interests:						
Adjustments for presentation of available-for-sale bonds at fair value						
Net unrealized gains (losses) from adjustments to fair value	(374)	130	(244)	42	(15)	27
Losses (gains) with respect to available-for-sale securities reclassified to the statement of profit and loss[(1)]	23	(7)	16	(12)	4	(8)
Net change in the period	**(351)**	**123**	**(228)**	**30**	**(11)**	**19**
Translation adjustments						
Adjustments from translation of financial statements[(2)]	-	-	-	-	-	-
Net change in the period	**-**	**-**	**-**	**-**	**-**	**-**
Cash flows hedges						
Net losses from cash flow hedges	17	(6)	11	(1)	1	-
Net (gains) losses with respect to cash flow hedges reclassified to the statement of profit and loss[(3)]	-	-	-	-	-	-
Net change in the period	**17**	**(6)**	**11**	**(1)**	**1**	**-**
Employees' benefits						
Net actuarial gain (loss) for the period[(4)]	161	(46)	115	15	(4)	11
Net losses reclassified to the statement of profit and loss	17	(6)	11	15	(6)	9
Net change in the period	**178**	**(52)**	**126**	**30**	**(10)**	**20**
Total net change in the period	**(156)**	**65**	**(91)**	**59**	**(20)**	**39**
Total net change in the period attributable to non-controlling interests	**3**	**(1)**	**2**	**7**	**(2)**	**5**
Total net change in the period attributable to shareholders of the Bank	**(159)**	**66**	**(93)**	**52**	**(18)**	**34**

(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.
(4) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve for the streamlining program.

Note 4 – Cumulative other comprehensive income (loss) – continued

Reported amounts (NIS in millions)

B. Changes in items of cumulative other comprehensive income (loss) before and after tax effect (Continued)

	For the six months ended June 30						For the year ended December 31		
	2022			2021			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
						(Unaudited)			(Audited)
Change in items of other comprehensive income (loss), before attribution to non-controlling interests:									
Adjustments for presentation of available-for-sale bonds at fair value									
Net unrealized gains (losses) from adjustments to fair value	(708)	243	(465)	2	(2)	-	85	(30)	55
Losses (gains) with respect to available-for-sale securities reclassified to the statement of profit and loss[1]	13	(4)	9	(37)	13	(24)	(60)	21	(39)
Net change in the period	**(695)**	**239**	**(456)**	**(35)**	**11**	**(24)**	**25**	**(9)**	**16**
Translation adjustments									
Adjustments from translation of financial statements[2]	-	-	-	(1)	-	(1)	(1)	-	(1)
Net change in the period	**-**	**-**	**-**	**(1)**	**-**	**(1)**	**(1)**	**-**	**(1)**
Cash flows hedges									
Net losses from cash flow hedges	6	(2)	4	(31)	11	(20)	(33)	11	(22)
Net (gains) losses with respect to cash flow hedges reclassified to the statement of profit and loss[3]	-	-	-	-	-	-	-	-	-
Net change in the period	**6**	**(2)**	**4**	**(31)**	**11**	**(20)**	**(33)**	**11**	**(22)**
Employees' benefits									
Net actuarial gain (loss) for the period[4]	364	(114)	250	10	(3)	7	(82)	27	[4](55)
Net losses reclassified to the statement of profit and loss	28	(10)	18	31	(11)	20	64	(22)	42
Net change in the period	**392**	**(124)**	**268**	**41**	**(14)**	**27**	**(18)**	**5**	**(13)**
Total net change in the period	**(297)**	**113**	**(184)**	**(26)**	**8**	**(18)**	**(27)**	**7**	**(20)**
Total net change in the period attributable to non-controlling interests	**11**	**(4)**	**7**	**9**	**(3)**	**6**	**11**	**(4)**	**7**
Total net change in the period attributable to shareholders of the Bank	**(308)**	**117**	**(191)**	**(35)**	**11**	**(24)**	**(38)**	**11**	**(27)**

(1) Pre-tax amount included in the statement of profit and loss under "Non-interest financing revenues". For details, see Note 3.A.2.
(2) Translation adjustments of financial statements of associated companies whose functional currency differs from the Bank's functional currency.
(3) Pre-tax amount included in the statement of profit and loss under "Interest revenues". For details, see Note 3.A.1.
(4) Primarily consists of the effect of changes in interest rates on the actuarial liability, as well as deduction of the capital reserve for the streamlining program.

Note 5 – Securities

June 30, 2022 (unaudited)

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized - Gains	Adjustments to fair value yet to be recognized - Losses	Fair value[1]
(1) Bonds held to maturity						
of Government of Israel	2,848	2,848	-	10	(63)	2,795
Of financial institutions in Israel	449	449	-	-	(8)	441
Of others in Israel	112	112	-	-	(1)	111
Total bonds held to maturity	**3,409**	**3,409**	**-**	**10**	**(72)**	**3,347**
	Carrying amount	**Amortized cost**	**Balance of provision for credit losses**	**Cumulative other comprehensive income[4] - Gains**	**Cumulative other comprehensive income[4] - Losses**	**Fair value[1]**
(2) Bonds available for sale						
of Government of Israel	6,775	7,255	-	17	(497)	6,775
of foreign governments[3]	7,574	7,594	-	-	(20)	7,574
Of financial institutions in Israel	419	447	-	-	(28)	419
Of foreign financial institutions	252	264	-	-	(12)	252
Asset-backed (ABS)	54	57	-	-	(3)	54
Of others in Israel	721	729	-	27	(35)	721
Of others overseas	240	235	-	9	(4)	240
Total bonds available for sale	**16,035**	**16,581**	**-**	**53**	**(599)**	**16,035**
	Carrying amount	**Cost**	**Balance of provision for credit losses**	**Adjustments to fair value yet to be realized[5] - Gains**	**Adjustments to fair value yet to be realized[5] - Losses**	**Fair value[1]**
(3) Investment in shares not held for trading	**690**	**595**	**-**	**101**	**(6)**	**690**
Of which: Shares for which no fair value is available[6]	426	411	-	15	-	426
Total securities not held for trading	**20,134**	**20,585**	**-**	**164**	**(677)**	**20,072**

Note 5 – Securities – continued

June 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	Adjustments to fair value yet to be realized[5] Losses	Fair value[1]
(4) Bonds held for trading						
of Government of Israel	2,151	2,170	-	2	(21)	2,151
Of financial institutions in Israel	1	1	-	-	-	1
Of others in Israel	32	31	-	2	(1)	32
Of others overseas	44	45	-	1	(2)	44
Total bonds held for trading	**2,228**	**2,247**	**-**	**5**	**(24)**	**2,228**
Shares and other securities	22	20	-	4	(2)	22
Total securities held for trading	**2,250**	**2,267**	**-**	**9**	**(26)**	**2,250**
Total securities[2]	**22,384**	**22,852**	**-**	**173**	**(703)**	**22,322**

(5) Additional information about bonds	
Recorded debt balance of	
Impaired bonds accruing interest revenues	-
Impaired bonds not accruing interest revenues	42
	42

(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 774 million and securities provided as collateral to lenders, amounting to NIS 160 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. Derivatives 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

June 30, 2021 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost	Balance of provision for credit losses	Adjustments to fair value yet to be recognized: Gains	Adjustments to fair value yet to be recognized: Losses	Fair value[1]
(1) Bonds held to maturity						
of Government of Israel	3,057	3,057	-	56	(7)	3,106
Of financial institutions in Israel	331	331	-	6	-	337
Of others in Israel	22	22	-	1	-	23
Total bonds held to maturity	**3,410**	**3,410**	**-**	**63**	**(7)**	**3,466**

	Carrying amount	Amortized cost	Balance of provision for credit losses	Cumulative other comprehensive income[4]: Gains	Cumulative other comprehensive income[4]: Losses	Fair value[1]
(2) Bonds available for sale						
of Government of Israel	9,759	9,741	-	67	(49)	9,759
of foreign governments[3]	884	886	-	-	(2)	884
Of financial institutions in Israel	156	155	-	1	-	156
Of foreign financial institutions	223	220	-	3	-	223
Asset-backed (ABS)	31	31	-	-	-	31
Of others in Israel	685	640	-	46	(1)	685
Of others overseas	278	256	-	23	(1)	278
Total bonds available for sale	**12,016**	**11,929**	**-**	**140**	**(53)**	**12,016**

	Carrying amount	Cost	Balance of provision for credit losses	Adjustments to fair value yet to be realized[5]: Gains	Adjustments to fair value yet to be realized[5]: Losses	Fair value[1]
(3) Investment in shares not held for trading	**623**	**457**	**-**	**167**	**(1)**	**623**
Of which: Shares for which no fair value is available[6]	302	302	-	-	-	302
Total securities not held for trading	**16,049**	**15,796**	**-**	**370**	**(61)**	**16,105**

Note 5 – Securities – continued

June 30, 2021 (unaudited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized[5] Gains	Losses	Fair value[1]
(4) Bonds held for trading						
of Government of Israel	1,423	1,417	-	9	(3)	1,423
Of financial institutions in Israel	-	-	-	-	-	-
Of others in Israel	27	25	-	3	(1)	27
Of others overseas	23	21	-	2	-	23
Total bonds held for trading	**1,473**	**1,463**	**-**	**14**	**(4)**	**1,473**
Shares and other securities	17	20	-	2	(5)	17
Total securities held for trading	**1,490**	**1,483**	**-**	**16**	**(9)**	**1,490**
Total securities[2]	**17,539**	**17,279**	**-**	**386**	**(70)**	**17,595**

(5) Additional information about bonds	
Recorded debt balance of	
Impaired bonds not accruing interest revenues	41
	41

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.
(2) Of which: Securities pledged to lenders, amounting to NIS 1,031 million and securities provided as collateral to lenders, amounting to NIS 48 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. Derivatives For more information about investments in shares – see Note 3.A.4 to the financial statements.
- The distinction between Israeli and foreign bonds was made in conformity with the country of residence of the authority which issued the security.

Note 5 – Securities – continued

As of December 31, 2021 (audited)

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	2,634	2,634	-	62	(5)	2,691
Of financial institutions in Israel	271	271	-	4	-	275
Of others in Israel	29	29	-	-	-	29
Total bonds held to maturity	**2,934**	**2,934**	**-**	**66**	**(5)**	**2,995**
	Carrying amount	**Amortized cost**	**Balance of provision for credit losses**	**Cumulative other comprehensive income[4]**		**Fair value[1]**
				Gains	**Losses**	
(2) Bonds available for sale						
of Government of Israel	7,314	7,244	-	110	(40)	7,314
of foreign governments[3]	2,035	2,035	-	1	(1)	2,035
Of financial institutions in Israel	326	323	-	3	-	326
Of foreign financial institutions	177	176	-	2	(1)	177
Asset-backed (ABS)	6	6	-	-	-	6
Of others in Israel	712	659	-	55	(2)	712
Of others overseas	253	232	-	21	-	253
Total bonds available for sale	**10,823**	**10,675**	**-**	**192**	**(44)**	**10,823**
	Carrying amount	**Cost**	**Balance of provision for credit losses**	**Adjustments to fair value yet to be realized[5]**		**Fair value[1]**
				Gains	**Losses**	
(3) Investment in shares not held for trading	**706**	**574**	**-**	**134**	**(2)**	**706**
Of which: Shares for which no fair value is available[6]	414	403	-	11	-	414
Total securities not held for trading	**14,463**	**14,183**	**-**	**392**	**(51)**	**14,524**

Note 5 – Securities – continued

As of December 31, 2021 (audited)

Reported amounts (NIS in millions):

	Carrying amount	Amortized cost (for shares – cost)	Balance of provision for credit losses	Adjustments to fair value yet to be realized[5]		Fair value[1]
				Gains	Losses	
(4) Bonds held for trading						
of Government of Israel	473	465	-	9	(1)	473
Of financial institutions in Israel	4	4	-	-	-	4
Of others in Israel	24	23	-	2	(1)	24
Of others overseas	49	47	-	2	-	49
Total bonds held for trading	**550**	**539**	**-**	**13**	**(2)**	**550**
Shares and other securities	20	21	-	4	(5)	20
Total securities held for trading	**570**	**560**	**-**	**17**	**(7)**	**570**
Total securities[2]	**15,033**	**14,743**	**-**	**409**	**(58)**	**15,094**

(5) Additional information about bonds

Recorded debt balance of	
Impaired bonds not accruing interest revenues	45
	45

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

(2) Of which: Securities pledged to lenders, amounting to NIS 1,001 million and securities provided as collateral to lenders, amounting to NIS 146 million.

(3) US government bonds.

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

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

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

Remarks:

- For more information about operations involving investments in bonds – see Notes 2.D, 3.A.2 and 3.B. For more information of investments in shares – see Note 3.A.4.
- The distinction between Israeli and foreign bonds was made in conformity with the country of residence of the entity which issued the securities.

Note 5 – Securities – continued

Reported amounts (NIS in millions):

(6) Fair value and unrealized losses, by time period and impairment rate, of bonds available for sale, which include unrealized loss without provision for credit losses:

	Less than 12 months				12 months or more			
	Fair value[1]	Unrealized losses 0%-20%	Unrealized losses 20%-40%	Total	Fair value[1]	Unrealized losses 0%-20%	Unrealized losses 20%-40%	Total
	As of June 30, 2022 (unaudited)							
Bonds available for sale								
of Government of Israel	2,950	190	-	190	2,125	286	21	307
of foreign governments[2]	4,324	16	-	16	48	4	-	4
Of financial institutions in Israel	387	28	-	28	-	-	-	-
Of foreign financial institutions	224	8	-	8	19	2	2	4
Asset-backed (ABS)	52	3	-	3	-	-	-	-
Of others in Israel	473	34	-	34	2	1	-	1
Of others overseas	75	1	-	1	32	3	-	3
Total bonds available for sale	**8,485**	**280**	**-**	**280**	**2,226**	**296**	**23**	**319**
	As of June 30, 2021 (unaudited)							
Bonds available for sale								
of Government of Israel	3,654	46	-	46	300	3	-	3
of foreign governments[2]	538	2	-	2	-	-	-	-
Of foreign financial institutions	19	[3]-	-	-	-	-	-	-
Asset-backed (ABS)	22	[3]-	-	-	-	-	-	-
Of others in Israel	100	1	-	1	-	-	-	-
Of others overseas	11	1	-	1	-	-	-	-
Total bonds available for sale	**4,344**	**50**	**-**	**50**	**300**	**3**	**-**	**3**
	As of December 31, 2021 (audited)							
Bonds available for sale								
of Government of Israel	2,029	32	-	32	602	8	-	8
Of foreign governments(2)	1,834	1	-	1	-	-	-	-
Of financial institutions in Israel	25	[3]-	-	-	-	-	-	-
Of foreign financial institutions	38	1	-	1	-	-	-	-
Asset-backed (ABS)	1	[3]-	-	-	-	-	-	-
Of others in Israel	75	2	-	2	-	-	-	-
Of others overseas	5	[3]-	-	-	-	-	-	-
Total bonds available for sale	**4,007**	**36**	**-**	**36**	**602**	**8**	**-**	**8**

(1) Fair value data are generally based on stock exchange prices, which do not necessarily reflect the price to be obtained on the sale of a large volume of securities.
(2) US government bonds.
(3) Balance lower than NIS 0.5 million.

Note 5 – Securities – continued

Reported amounts (NIS in millions):

(7) Asset-backed and mortgage-backed securities

	Carrying amount	Amortized cost	Cumulative other comprehensive income		Fair value
			Gains	Losses	
					As of June 30, 2022 (unaudited)
Asset-backed bonds (ABS)	54	57	-	(3)	54
Total asset-backed bonds available for sale	**54**	**57**	**-**	**(3)**	**54**
					As of June 30, 2021 (unaudited)
Asset-backed bonds (ABS)	31	31	-	-	33
Total asset-backed bonds available for sale	**31**	**31**	**-**	**-**	**33**
					As of December 31, 2021 (audited)
Asset-backed bonds (ABS)	6	6	-	-	6
Total asset-backed bonds available for sale	**6**	**6**	**-**	**-**	**6**

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

Reported amounts (NIS in millions)

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

	June 30, 2022 (unaudited)					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds held to maturity and available for sale	Total
Recorded debt balance[1]						
reviewed on individual basis	71,965	-	419	72,384	27,952	100,336
reviewed on group basis	12,774	190,323	25,390	228,487	-	228,487
Total debts	**84,739**	**[2]190,323**	**25,809**	**300,871**	**27,952**	**328,823**
Of which:						
Non-accruing debts	1,236	2,161	73	3,470	-	3,470
Debts in arrears 90 days or longer	108	-	35	143	-	143
Other problematic debts	577	1,286	107	1,970	-	1,970
Total problematic debts	**1,921**	**3,447**	**215**	**5,583**	**-**	**5,583**
Balance of provision for credit losses with respect to debts [1]						
reviewed on individual basis	1,075	-	10	1,085	1	1,086
reviewed on group basis	373	813	367	1,553	-	1,553
Total provision for credit losses	**1,448**	**813**	**377**	**2,638**	**1**	**2,639**
Of which: With respect to non-accruing debts	**292**	**106**	**41**	**439**	**1**	**440**
Of which: With respect to other problematic debts	**123**	**64**	**35**	**222**	**-**	**222**

	June 30, 2021 (unaudited) [3]					
Recorded debt balance:						
reviewed on individual basis	58,116	62	575	58,753	22,552	81,305
reviewed on group basis	9,606	164,477	23,605	197,688	-	197,688
Total debts	**67,722**	**[2]164,539**	**24,180**	**256,441**	**22,552**	**278,993**
Of which:						
Non-accruing debts	1,201	-	48	1,249	1	1,250
Debts in arrears 90 days or longer	25	1,390	19	1,434	-	1,434
Other problematic debts	628	12	113	753	-	753
Total problematic debts	**1,854**	**1,402**	**180**	**3,436**	**1**	**3,437**
Balance of provision for credit losses with respect to debts [1]						
reviewed on individual basis	957	1	26	984	3	987
reviewed on group basis	122	858	241	1,221	-	1,221
Total provision for credit losses	**1,079**	**859**	**267**	**2,205**	**3**	**2,208**
Of which: With respect to non-accruing debts	**306**	**-**	**21**	**327**	**1**	**328**
Of which: With respect to other problematic debts	**114**	**1**	**16**	**131**	**-**	**131**

(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 12,306 million (as of June 30, 2021 – NIS 9,927 million).

(3) Re-classified in conformity with new disclosure format.

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

Reported amounts (NIS in millions):

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

	December 31, 2021 (audited) [3]					
	Loans to the public				Banks, governments and bonds held to maturity and available for sale	Total
	Commercial	Housing	Individual – other	Total		
Recorded debt balance:						
reviewed on individual basis	63,761	36	564	64,361	23,888	88,249
reviewed on group basis	9,162	175,722	24,286	209,170	-	209,170
Total debts	**72,923**	[2]**175,758**	**24,850**	**273,531**	**23,888**	**297,419**
Of which:						
Non-accruing debts	1,193	-	56	1,249	1	1,250
Debts in arrears 90 days or longer	26	1,300	26	1,352	-	1,352
Other problematic debts	708	-	111	819	-	819
Total problematic debts	**1,927**	**1,300**	**193**	**3,420**	**1**	**3,421**
Balance of provision for credit losses with respect to debts:						
reviewed on individual basis	959	1	21	981	1	982
reviewed on group basis	102	803	217	1,122	-	1,122
Total provision for credit losses	**1,061**	**804**	**238**	**2,103**	**1**	**2,104**
Of which: With respect to non-accruing debts	**302**	**-**	**17**	**319**	**1**	**320**
Of which: With respect to other problematic debts	**114**	**1**	**19**	**134**	**-**	**134**

(1) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements, except for deposits with Bank of Israel.
(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 11,145 million.
(3) Re-classified in conformity with new disclosure format.

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

Reported amounts (NIS in millions):

B. Change in balance of provision for credit losses

	For the three months ended June 30, 2022 (unaudited)					
	Provision for credit losses					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds held to maturity and available for sale	Total
Balance of provision for credit losses at start of period	1,590	787	376	2,753	1	2,754
Expenses with respect to credit losses	65	38	4	107	-	107
Accounting write-offs	(55)	-	(38)	(93)	-	(93)
Collection of debts written off for accounting purposes in previous years	25	-	22	47	-	47
Net accounting write-offs	(30)	-	(16)	(46)	-	(46)
Other(2)	14	-	26	40	-	40
Balance of provision for credit losses at end of period	**1,639**	**825**	**390**	**2,854**	**1**	**2,855**
Of which: With respect to off balance sheet credit instruments	**191**	**12**	**13**	**216**	**-**	**216**
	For the three months ended June 30, 2021 (unaudited)					
Balance of provision for credit losses at start of period	1,413	918	316	2,647	3	2,650
Expenses (income) with respect to credit losses	(156)	(59)	(25)	(240)	-	(240)
Accounting write-offs	(79)	(2)	(31)	(112)	-	(112)
Collection of debts written off for accounting purposes in previous years	77	1	23	101	-	101
Net accounting write-offs	(2)	(1)	(8)	(11)	-	(11)
Other(2)	16	1	3	20	-	20
Balance of provision for credit losses at end of period	**1,271**	**859**	**286**	**2,416**	**3**	**2,419**
Of which: With respect to off balance sheet credit instruments	**192**	**-**	**19**	**211**	**-**	**211**
	For the six months ended June 30, 2022 (unaudited)					
Balance of provision for credit losses at start of period	1,256	804	254	2,314	1	2,315
Opening balance adjustment for effect of initial application of public reporting directives with regard to expected credit losses(1)	328	(32)	96	392	-	392
Expenses with respect to credit losses	102	52	32	186	-	186
Accounting write-offs	(93)	-	(73)	(166)	-	(166)
Collection of debts written off for accounting purposes in previous years	55	-	45	100	-	100
Net accounting write-offs	(38)	-	(28)	(66)	-	(66)
Other(2)	(9)	1	36	28	-	28
Balance of provision for credit losses at end of period	**1,639**	**825**	**390**	**2,854**	**1**	**2,855**
Of which: With respect to off balance sheet credit instruments	**191**	**12**	**13**	**216**	**-**	**216**
	For the six months ended June 30, 2021 (unaudited)					
Balance of provision for credit losses at start of period	1,383	942	340	2,665	2	2,667
Expenses (income) with respect to credit losses	(111)	(82)	(35)	(228)	1	(227)
Accounting write-offs	(120)	(3)	(73)	(196)	-	(196)
Collection of debts written off for accounting purposes in previous years	100	1	47	148	-	148
Net accounting write-offs	(20)	(2)	(26)	(48)	-	(48)
Other(2)	19	1	7	27	-	27
Balance of provision for credit losses at end of period	**1,271**	**859**	**286**	**2,416**	**3**	**2,419**
Of which: With respect to off balance sheet credit instruments	**192**	**-**	**19**	**211**	**-**	**211**

(1) Including with respect to residential mortgages of insignificant amount.

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

Note 7 – Deposits from the Public

Reported amounts (NIS in millions):

a. Deposit types by location solicited and depositor type

	June 30		December 31
	2022	2021	2021
		(Unaudited)	(Audited)
In Israel			
On-call			
Non interest-bearing	105,872	98,326	103,889
Interest-bearing	48,325	44,284	47,151
Total on-call	**154,197**	**142,610**	**151,040**
Term deposits	168,132	147,846	152,698
Total deposits in Israel[(1)]	**322,329**	**290,456**	**303,738**
Outside of Israel			
On-call			
Non interest-bearing	610	541	492
Interest-bearing	10	3	1
Total on-call	**620**	**544**	**493**
Term deposits	4,935	3,391	3,693
Total deposits overseas	**5,555**	**3,935**	**4,186**
Total deposits from the public	**327,884**	**294,391**	**307,924**
(1) Includes:			
Deposits from individuals	**147,416**	**138,677**	**139,715**
Deposits from institutional investors	**66,998**	**53,060**	**61,365**
Deposits from corporations and others	**107,915**	**98,719**	**102,658**

b. Deposits from the public by size

	June 30		December 31
	2022	2021	2021
		(Unaudited)	(Audited)
Maximum deposit (NIS in millions)			
Up to 1	98,247	95,948	95,170
Over 1 to 10	83,530	76,255	78,746
Over 10 to 100	45,158	43,886	44,740
Over 100 to 500	36,060	37,455	36,591
Above 500	64,889	40,847	52,677
Total	**327,884**	**294,391**	**307,924**

Note 8 – Employees' Rights

Description of benefits

1. Employment terms of the vast majority of Bank Group employees and managers are determined by provisions of collective bargaining agreements. Pension liabilities to these employees, except for Bank Yahav employees, are covered by regular deposits to pension, provident and severance-pay funds, which release the Bank from severance-pay liabilities for those employees by law. For more information about various benefits to Bank employees and managers, see Note 22 to the 2021 financial statements.
2. Remuneration policy for Bank officers and for all Bank employees other than officers For more information about remuneration policy for Bank officers and remuneration policy for all Bank employees other than officers, see Note 22 to the 2021 financial statements.
3. Special collective bargaining agreement at Union Bank For information about a special collective bargaining agreement was signed by Union Bank and two of its subsidiaries, by the New General Labor Union / the MAOF trade union / Bank and Credit Company Staff Division and by the Employee Union of Union Bank and the Manager and Authorized Signatory Association of Union Bank, see Note 22 to the 2021 financial statements.
4. Net benefit cost components recognized in profit and loss with respect to defined benefit and defined contribution pension plans (NIS in millions):

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
		(Unaudited)		(Unaudited)	(Audited)
Under payroll and associated expenses					
Cost of service[(1)]	20	22	41	43	84
Under other expenses					
Cost of interest[(2)]	18	13	34	24	53
Expected return on plan assets[(3)]	(5)	(3)	(9)	(6)	(13)
Deduction of non-allowed amounts:					
Net actuarial loss[(4)]	16	16	35	30	62
Total under other expenses	29	26	60	48	102
Total benefit cost, net	**49**	**48**	**101**	**91**	**186**
Total expense with respect to defined-contribution pension	51	49	100	98	193
Total expenses recognized in profit and loss	**100**	**97**	**201**	**189**	**379**

	Forecast	Actual deposits				
	For[(5)]	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2022	2021	2022	2021	2021
			(Unaudited)		(Unaudited)	(Audited)
Deposits	5	3	4	7	6	14

(1) Cost of service is the current accrual of the future employee benefit in the period.
(2) Cost of interest is the amount recognized in the period, set based on the increase in obligation with respect to expected benefit due to passage of time.
(3) Expected return is the expected return on plan assets, determined based on expected long-term rates of return on plan assets and based on the established market value of plan assets.
(4) Deduction of net gain or loss previously recognized in Cumulative Other Comprehensive Income.
(5) Estimated contributions expected to be paid into defined-benefit pension plans through 2022.

Note 9 – Capital Adequacy, liquidity and leverage

Reported amounts (NIS in millions)

A. Capital adequacy

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

	As of June 30		As of December 31
	2022	2021	2021
		(Unaudited)	(Audited)
1. Consolidated data			
a. Capital for purpose of calculating the capital ratio			
Tier I equity(1)	23,567	21,783	21,969
Tier I capital(1)	23,567	21,783	21,969
Tier II capital	7,988	8,484	7,914
Total capital(1)	**31,555**	**30,267**	**29,883**
b. Weighted risk asset balances			
Credit risk	219,449	190,817	202,611
Market risks	1,843	2,681	2,268
Operational Risk	14,491	13,281	13,831
Total weighted risk asset balances	**235,783**	**206,779**	**218,710**
c. Ratio of capital to risk components			
			In %
Ratio of Tier I equity to risk components	10.00	10.53	10.04
Ratio of Tier I capital to risk components	10.00	10.53	10.04
Ratio of total capital to risk components	13.38	14.64	13.66
Minimum Tier I equity ratio required by Supervisor of Banks(2)	9.62	8.63	8.60
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	9.87	9.74	9.85
Ratio of Tier I capital to risk components	9.87	9.74	9.85
Ratio of total capital to risk components	13.42	12.97	13.49
Minimum Tier I capital ratio required by Supervisor of Banks	9.00	8.00	8.00
Total minimum capital ratio required by the Supervisor of Banks	12.50	12.50	12.50
Union Bank Le-Israel Ltd. and its subsidiaries			
Ratio of Tier I equity to risk components	21.92	14.31	16.28
Ratio of Tier I capital to risk components	21.92	14.31	16.28
Ratio of total capital to risk components	25.69	17.18	19.40
Minimum Tier I capital ratio required by Supervisor of Banks	9.53	8.39	8.43
Total minimum capital ratio required by the Supervisor of Banks	12.50	12.50	12.50

(1) These data include adjustments with respect to streamlining programs charged proportionately over 5 years since their start date. For more information see section 3.A. below.

(2) For more information about adjustments to minimum capital ratios due to the Corona Virus crisis, see section F. below.
An additional capital requirement was added to these ratios at 1% of the residential mortgage balance as of the report date, excluding residential mortgages extended during the Corona Virus crisis.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

a. Capital adequacy – continued

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

		As of June 30	As of December 31
	2022	**2021**	**2021**
		(Unaudited)	**(Audited)**
3. Capital components for calculating the capital ratio (on consolidated data)			
a. Tier I equity			
Shareholders' equity	23,183	21,363	21,729
Differences between shareholders' equity and Tier I equity	(491)	(486)	(513)
Tier I equity before regulatory adjustments and deductions	**22,692**	**20,877**	**21,216**
Supervisory adjustments and deductions:			
Goodwill and intangible assets	(157)	(177)	(167)
Deferred tax assets	-	-	(6)
Supervisory adjustments and other deductions(1)	742	1,009	892
Total supervisory adjustments and deductions, before adjustments with respect to the streamlining plan before adjustments for expected credit losses – Tier I equity	**585**	**832**	**719**
Total adjustments with respect to the streamlining program(2)	23	74	34
Total adjustments for expected credit losses	267		
Total Tier I equity after supervisory adjustments and deductions	**23,567**	**21,783**	**21,969**
b. Tier II capital			
Tier II capital: Instruments, before deductions	5,803	6,402	5,933
Tier II capital: Provisions, before deductions	2,392	2,082	1,981
Total Tier II capital, before deductions	**8,195**	**8,484**	**7,914**
Deductions:			
Deductions – Total adjustments for expected credit losses	(207)	-	-
Total Tier II capital	7,988	8,484	7,914
Total capital	**31,555**	**30,267**	**29,883**

4. Effect of adjustments to streamlining plan on Tier I equity ratio:

		As of June 30	As of December 31
	2022	**2021**	**2021**
			In %
Ratio of capital to risk components			
Ratio of Tier I equity to risk components, before effect of adjustments with respect to the streamlining plan	9.85	10.50	10.03
Effect of adjustments with respect to the streamlining plan	0.02	0.03	0.01
Effect of adjustments for expected credit losses	0.13		
Ratio of Tier I equity to risk components	10.00	10.53	10.04

(1) Includes deferred credit balance from acquisition of Union Bank as from September 30, 2020 and deduction with respect to residential mortgages amounting to NIS 30 million. See section G. below.

(2) All of this amount arises from a streamlining program concerning employees (on June 30, 2021: NIS 72 million with respect to streamlining program concerning employees and NIS 2 million with respect to streamlining program concerning real estate; on December 31, 2021: NIS 38 million with respect to streamlining program concerning employees and NIS 1 million with respect to streamlining program concerning real estate).

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 June 30		As of December 31
	2022	2021	2021
		(Unaudited)	(Audited)
1. Consolidated data			
Tier I capital[(1)]	23,567	21,783	21,969
Total exposure	450,369	406,235	423,950
	In %		
Leverage ratio	5.23	5.36	5.18
Minimum leverage ratio required by the Supervisor of Banks[(2)]	4.50	4.50	4.50
2. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Leverage ratio	5.58	5.27	5.55
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50
Union Bank Le-Israel Ltd. and its subsidiaries			
Leverage ratio	11.42	6.49	8.37
Minimum leverage ratio required by the Supervisor of Banks	4.50	4.50	4.50

(1) For effect of adjustments with respect to the streamlining program and with respect to initial application of accounting practices for expected credit losses, see sections A.3, A.4 above.

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

C. Liquidity coverage ratio

Calculated in accordance with Proper Conduct of Banking Business Directive 221 "Liquidity coverage ratio"

	As of June 30		As of December 31
	2022	2021	2021
		(Unaudited)	(Audited)
		In %	
1. Consolidated data			
Liquidity coverage ratio[(1)]	120	132	125
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
2. Bank data			
Liquidity coverage ratio[(1)]	120	123	120
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
3. Significant subsidiaries			
Bank Yahav for Government Employees Ltd. and its subsidiaries			
Liquidity coverage ratio[(1)]	200	233	266
Minimum liquidity coverage ratio required by the Supervisor of Banks	100	100	100
Union Bank Le-Israel Ltd. and its subsidiaries			
Liquidity coverage ratio[(1)]	-	193	165
Minimum liquidity coverage ratio required by the Supervisor of Banks	-	100	100

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

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

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

As from December 31, 2021, the Bank applies Proper Conduct of Banking Business Directive 222 concerning "Net stable funding ratio (NSFR)", which adopts the Basel Committee recommendation with regard to net stable funding ratio in the banking system in Israel. In conformity with this directive, the objective of the net stable funding ratio is to improve stability of the liquidity risk profile of banking corporations over the long term, by requiring banking corporations to maintain a stable funding profile in conformity with the composition of on-balance sheet assets and off-balance sheet operations. The net stable funding ratio consists of two components: available stable funding items (numerator) and required stable funding items (denominator). "Available stable funding" is defined as the part of capital and liabilities that may be relied upon over the time horizon taken into account in the net stable funding ratio, of one year. The required stable funding amount for a given corporation is based on the liquidity attributes and time to maturity of various assets held by the corporation, as well as of off-balance sheet exposures.

Pursuant to the directive, the minimum net stable funding ratio required is 100%.

The net stable funding ratio for significant banking subsidiaries in Israel is calculated in conformity with Proper Conduct of Banking Business Directive 222 "Net stable funding ratio". Net stable funding ratio in significant overseas banking corporations is presented and calculated in conformity with relevant directives in each jurisdiction, if specified.

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
		In %
(1) On consolidated data		
Net stable funding ratio	114	119
The minimum net stable funding ratio required by the Supervisor of Banks	100	100
(2) Significant subsidiaries		
Bank Yahav		
Net stable funding ratio	176	162
The minimum net stable funding ratio required by the Supervisor of Banks	100	100

Factors which may materially affect the net stable funding ratio

Net stable funding ratio on consolidated basis as of June 30, 2022 was 114%, compared to 116% as of March 31, 2022. This decrease is due to an increase, quarter over quarter, in total net stable financing required (primarily under Loans), which was higher than the increase, quarter over quarter, in total available net stable funding (primarily under Deposits from Individuals and from Small Businesses and Wholesale Funding). Volatility of this ratio throughout the quarter was low; the main factors affecting the net stable funding ratio are: composition of Bank sources and uses by financing term, financing type and counter party. On the sources side – long-term liabilities are more stable than short-term liabilities, and funding from retail customers and small businesses is more stable than wholesale funding with the same maturity. When long-term sources grow shorter on a large scale (such as with subordinated notes) to a term shorter than one year, this factor affects the resulting ratio; however, because this is a funding source which typically has scattered maturities, the impact on the resulting ratio is not material. On the uses side – asset type, asset term and quality and liquidity value determine the required stable funding amount.

E. Basel III

As from January 1, 2014, the Bank applies Proper Conduct of Banking Business Directives 201-211 with regard to capital measurement and adequacy, as amended to align them with Basel III directives.

The Basel III directives stipulated significant changes to calculation of regulatory capital requirements, including with regard to the following:

- Supervisory capital components
- Deductions from capital and supervisory adjustments
- Treatment of exposures to financial corporations
- Treatment of exposures to credit risk with respect to impaired debt
- Capital allocation with respect to CVA risk

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

These regulations are applied gradually, in line with transitional provisions specified in Proper Conduct of Banking Business Directive 299 with regard to "Capital measurement and adequacy – Supervisory capital – Transitional provisions", in order to allow for compliance with new supervisory capital requirements in applying Basel III and to specify a transition period pending full application. The transition provisions refer, *inter alia*, to supervisory adjustments and deductions from capital, and to capital instruments not qualifying for inclusion in supervisory capital, in conformity with the new criteria stipulated in Basel directives. In particular, in conformity with transition provisions, supervisory adjustments and deductions from capital, and non-controlling interest not qualifying for inclusion in supervisory capital were gradually deducted from capital, at 20% in each year from January 1, 2014 through January 1, 2018. Capital instruments no longer qualifying as supervisory capital were recognized up to a cap of 80% on January 1, 2014, and this cap is reduced by a further 10% in each subsequent year through January 1, 2022. Conseqently, as from January 1, 2022, transition provisions expired and non-qualifying capital instruments may no longer be recognized in supervisory capital.

F. Minimum capital ratio requirement

As per instructions of the Supervisor of Banks, the Bank is required to maintain a minimum Tier I equity ratio of no less than 9% and a minimum total equity ratio of no less than 12.5% of weighted total of risk components of its balance sheet assets and off-balance-sheet items. Calculation of total capital and total risk components is set forth in the directives.

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

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

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

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

In conformity with the Interim Directive and considering the additional capital requirement out of the balance of residential mortgages, the minimum Tier I equity ratio required of the Bank as of the reporting date is 9.61%, and the minimum total capital ratio required of the Bank as of the reporting date is 12.50% (to which appropriate safety margins would be added).

G. Initial application of new accounting practices with regard to expected credit losses

As from January 1, 2022, the Bank applies the new directives with regard to provisions for credit losses and charged the cumulative effect to retained earnings upon initial application. On December 1, 2020, the Supervisor of Banks issued a circular regarding "Supervisory capital – Effect of implementation of accounting principles with respect to expected credit losses", which included, *inter alia*, an update to Proper Conduct of Banking Business Directive 299, stipulating that if, due to initial application of these rules, upon the date when a banking corporation should initially apply these rules, the banking corporation's Tier I equity should decrease, then the banking corporation may partially include in Tier I equity (i.e. add back to Tier I equity) the decrease in Tier I equity recorded upon initial application, over three years (hereinafter: "transition period").

For more information about the effect of initial application, see Note 1.C.1. above.

Note 9 – Capital adequacy, liquidity and leverage – continued

Reported amounts (NIS in millions)

H. The standard approach for calculation of counter-party credit risk exposure (SA-CCR)

In March 2014, the Basel Committee on Bank Supervision issued updates to the Basel III directives, including a new directive with regard to "Standard approach for calculation of counter-party credit risk exposure (SA-CCR)".
On December 1, 2021, the Supervisor of Banks issued a circular revising Proper Conduct of Banking Business Directives which include, inter alia, addition of Proper Conduct of Banking Business Directive 203A regarding "Handling counter-party credit risk in conformity with SA-CCR", which replaces the current approaches in Directive 203 for calculation of counter-party exposure upon default. In conformity with the circular, the Directive applies as from July 1, 2022.
The Bank is implementing the directive. implementation of this circular had no material impact on the Bank's financial statements.

I. Update to Proper Conduct of Banking Business Directive 203 "Capital measurement and adequacy"

On May 22, 2022, the Supervisor of Banks issued a circular updating Proper Conduct of Banking Business Directive 203 ("Capital measurement and adequacy"), designed to address exposure to the construction and real estate sector.
According to the circular, loans designated for purchase of land for development or construction, with an LTV higher than 80% of the purchased property value, shall carry an increased risk weighting of 150%, except for loans for purchase of agricultural land with no planning horizon or intention to apply for re-zoning, and except for loans designated for purchase of land for own use by the borrower, who is not classified under the Construction and Real Estate sector, based on sector classification in Supervisory Reporting Directive 831 "Total credit risk by economic sector".
The directive applies as from June 30, 2022, but the Bank may apportion the impact of change in risk weighting on the capital adequacy ratio with respect to the current loan portfolio as of June 30, 2022 in equal quarterly rates, from September 30, 2022 through June 30, 2023.
As of June 30, 2022, there was no effect on the capital adequacy ratio, and no material effect is expected in future.

J Leverage ratio

On April 28, 2015, the Supervisor of Banks issued a new Proper Conduct of Banking Business Directive 218 concerning "Leverage ratio". This directive adopts the Basel Committee recommendations with regard to leverage ratio, stipulated in January 2014.
The leverage ratio is reflected in percent, defined as the ratio of Tier I capital according to Basel rules to total exposure. Total exposure for the Bank is the sum of balance sheet exposures, exposures to derivatives, to financing transactions for securities and off-balance sheet items.
According to the directive, banking corporations must maintain a leverage ratio of 5% or higher on a consolidated basis.
On November 15, 2020, the Supervisor of Banks issued a circular regarding "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)", updating Proper Conduct of Banking Business Directive 250, whereby the leverage ratio shall be at least 4.5% on consolidated basis, compared to 5% prior to this change. In conformity with circulars issued March 22, 2021, September 30, 2021 and May 15, 2022, the Directive was extended and applies from issue date thereof through December 31, 2023. After expiration of the Directive, the relief shall remain in effect for a further 24 months, provided that the leverage ratio would be no less than the leverage ratio upon expiration of the Directive, or the minimum leverage ratio applicable to the banking corporation prior to the Interim Directive, whichever is lower.
On May 15, 2022, the Supervisor of Banks issued another circular, whereby this relief shall apply through June 30, 2024, provided that the leverage ratio would be no less than the leverage ratio as of December 31, 2023, or the minimum leverage ratio applicable to the banking corporation prior to the Interim Directive, whichever is lower.

K. For more information about directives and instructions by the Supervisor of Banks with regard to capital adequacy, see Note 25 to the financial statements as of December 31, 2021.

Note 10 - Contingent Liabilities and Special Commitments

Reported amounts (NIS in millions)

A. Other liabilities and special commitments

	June 30		December 31
	2022	2021	2021
		(Unaudited)	(Audited)
1. Computerization and software service contracts	396	466	382
2. Acquisition and renovation of buildings	21	25	16

3. Credit sales operations

The following table provides a summary of credit sales operations at the Bank:

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
		(Unaudited)		(Unaudited)	(Audited)
Carrying amount of credit sold	3	-	3	-	234
Consideration received in cash	3	-	3	-	234
Consideration received in securities	-	-	-	-	-
Total consideration	3	-	3	-	234
Total net gain with respect to credit sold	-	-	-	-	-

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 2021 financial statements. Below is a description of material changes from the Note included in the 2021 financial statements.

2. Various claims are pending against the Bank and its subsidiaries, namely, claims of customers, as well as motions for recognition of various class actions. In the estimation of the management of the Bank, based on the estimation of the managements of its subsidiaries and on the opinion of their legal counsel as to the possible outcome of the pending claims (for claims brought against the Bank) and motions for approval of claims as class actions, the financial statements include appropriate provisions, where necessary, to cover possible damages.

   Below are details of significant claims, including motions for approval of class action status and claims in which the amount claimed (excluding interest and fees) exceeds 1% of Bank equity which had developments and changes from the description in the 2021 financial statements:

   a) In February 2016, a claim and application for class action status was filed with the Tel Aviv District Court against the Bank and against Bank HaPoalim Ltd., Bank Leumi Le-Israel Ltd., Bank Discount Le-Israel Ltd. and First International Bank of Israel Ltd. (hereinafter: "the Defendants"). The plaintiff set the claim amount for all defendant Banks, jointly and severally, at NIS 219 million. The motion concerns alleged discrimination in providing service to student groups by age, allegedly in violation of the Prohibition of Discrimination in Products, Services and in Access to Entertainment Venues and to Public Venues Law, 2000 (hereinafter: "the Non-Discrimination Law") and the Banking Law (Customer Service), 1981 (hereinafter: "the Banking Law").

      The plaintiff alleges that this is the overall policy of all defendants, with a decision made to eliminate the "non-young" population from the benefit program. The plaintiff asks, in conformity with the Class Actions Law, for the claim to be filed on behalf of all students discriminated against due to their age, by comparison to younger students, who were precluded from receiving student benefits from the defendants in the past seven years (for causes pursuant to the Banking Law or as from July 15, 2014 (pursuant to the amendment to the Non-Discrimination Law). The Bank filed its response to the motion on September 13, 2016 and the plaintiff has filed their response to this response. On October 27, 2016, the plaintiff filed its response to the Bank's response to the motion.

      On January 25, 2017, a preliminary hearing was held on the motion for approval. An evidentiary hearing set for September 2017 was canceled after the parties concluded a written agreement. The plaintiff's summation was filed on October 26, 2017 and the Bank's summation was filed on December 21, 2017. The plaintiff filed their response summation, including a motion for removal of annexes enclosed with the banks' summations. The banks filed their response to this motion on January 9, 2018 and on September 26, 2019 a verdict was handed down, rejecting the motion for class action status and erasing the personal claim. On November 4, 2019, the plaintiff appealed the denial of the motion to the Supreme Court. The parties have filed their summations. On June 2, 2021, a Supreme Court hearing was held and a verdict on this appeal has yet to be handed down.

   b) In May 2016, a lawsuit was filed against the Bank with the Tel Aviv Yafo District Court, along with a motion for class action status, amounting to NIS 220 million. The lawsuit alleges unlawful over-charging of commissions to customers eligible to be classified as a small business, in breach of the Bank's duties in its relations with customers.

      The plaintiff claims that the Bank has not disclosed to customers who manage a small business that they are eligible for the lower commission schedule of a "small business", in order to foil the commission reform and to charge small businesses commissions other than according to the small business tariff, allegedly resulting in unlawful gain at their expense.
      The Bank filed its response to the motion on November 1, 2016 and the plaintiff filed their response to the Bank's response on November 30, 2016.

Note 10 – Contingent Liabilities and Special Commitments – continued

On April 23, 2017, a preliminary hearing took place and resolutions were handed down with regard to questions and document discovery; the parties are to comply with these by May 23, 2017. Given the plaintiff's notice of their intention to file a motion to consolidate the hearing of this motion with a hearing of 5 other motions for class action status in lawsuits filed on the same matter, on June 22, 2017 the Bank filed a motion with the Court seeking a stay of proceedings in this lawsuit, including preliminary discovery proceedings, pending a ruling by the Supreme Court on the motion for consolidation. On June 28, 2017, a motion was filed with the Supreme Court to combine the hearing of this case with the five other motions;

The Bank filed its response to the motion on July 10, 2017; On July 20, 2017, the Court ruled and rejected the motion to combine all of these cases. As directed by the Supreme Court, a motion was filed to consolidate the hearing of the motions for approval to the District Court. On January 21, 2018 the motion for consolidation was heard. On April 17, 2018, a resolution was handed down combining the hearing of this motion with 5 other motions filed against 5 other banks. Consequently, a pre-trial hearing of all these motions was scheduled for December 19, 2018. At this hearing, the Court discussed a motion by the Bank to erase sections from the plaintiff's response, as well as a motion by the plaintiff to erase the Bank's response to the motion for approval, citing alleged breach of a prior resolution with regard to document discovery.

On November 28, 2019, the Court handed down a ruling on the pre-trial motions, rejecting the motion by the plaintiff to erase the Bank's response. The plaintiff has filed a motion to appeal with the Supreme Court the ruling rejecting their discovery motion, and a resolution on this matter is still pending. As ruled by the Court, on May 17, 2020 the Bank filed its response to the plaintiff's response to the Bank's response to the motion for approval.

A pre-trial hearing was held on April 6, 2021 and dates for evidentiary hearings were scheduled for March 2023. Concurrently, on July 19, 2021, the Court handed down a resolution which proposed that the parties conduct a mediation proceeding prior to the scheduled evidentiary hearing, and the parties accepted the Court's proposal. On November 24, 2021, a mediation meeting took place which was un-successful. On January 3, 2022, the Court handed down its resolution with regard to a request for the opinion of the Supervisor of Banks, allowing either party to provide to the Court three questions which they would like for the Supervisor to refer to in their position statement. Accordingly, on February 8, 2021, a notice was filed on behalf of the banks, listing their proposed questions. On February 13, 2022, the Court ruled, instructing the Supervisor of Banks to provide their opinion with regard to the dispute subject of the motions, and their comments on the questions filed by the parties. On February 16, 2022, the plaintiff filed a motion seeking to disclose Bank information about the percentage of small businesses out of all corporations; The Bank filed its response to the motion on April 14, 2022. On May 25, 2022, the Court ruled and rejected the plaintiff's motion to disclose the aforementioned requested information. The case is scheduled for evidentiary hearing in March 2023.

C) In December 2017, a claim and motion for approval of class action status was filed with the Central District Court in Lod amounting to NIS 124 million. The claim involves setting of the interest rate on residential mortgages bearing adjustable interest – bonds. The plaintiffs allege that the Bank issues an approval in principle to the customer, listing the bond base as the only mechanism for interest calculation in the adjustable interest track – bonds for the term of the loan. However, the loan agreement includes another mechanism titled "Emergency Protection Mechanism" for setting the interest rate, in addition to the original mechanism, without providing proper disclosure. It was further alleged that the condition specified by the Bank in the agreement for activation of the emergency defensive provision is unfair and provides the Bank with an unreasonable advantage over the customers.

the Bank filed its response on July 25, 2018. The plaintiff filed its response to the Bank's response on January 6, 2019.

On February 27, 2019, a pre-trial hearing took place in the motion for approval, after which the Court recommended that the parties seek mediation to tr and resolve their dispute by mutual agreement. As proposed by the Court, the parties have started a mediation process.

Note 10 – Contingent Liabilities and Special Commitments – continued

On January 18, 2022, the parties filed a motion with the Court seeking approval of a settlement agreement, announcing that following the mediation proceeding, the parties have reached a settlement agreement in the motion for approval of this lawsuit. On February 3, 2022, the Court gave its comments on the settlement agreement. The revisions to the settlement agreement as requested by the Court were made and submitted. On April 17, 2022, a resolution was issued with regard to publishing a notice of the motion filed for approval of the settlement agreement. On May 12, 2022, the notice was duly published. Concurrently, the settlement agreement was referred for comments by the Attorney General, which have yet to be received.

D) In September 2018, a lawsuit and motion for class action status was filed with the Tel Aviv District Court, in the amount of NIS 180 million (estimated).

The motion alleges over-charging of commission upon early repayment of residential mortgages consisting of multiple tracks, some of which have generated positive capitalization differences and some of which have generated negative capitalization differences, where the Bank fails to offset the capitalization differences of the different tracks against each other, allegedly in contravention of provisions of the Banking Ordinance (Early repayment of residential mortgage), 2002.

The plaintiff seeks a ruling, pursuant to the Class Action Lawsuit Law, whereby the lawsuit would be filed on behalf of all Bank customers who have and/or would repay a mortgage by full or partial early repayment and one of their tracks generated a negative capitalization balance not offset against the early repayment fee, as stipulated by law. In March 2019, the plaintiff's attorney announced that they were considering replacing the expert opinion enclosed with the motion for approval with an opinion from another expert. Consequently, the deadline for filing the Bank's response to the motion was postponed by agreement to April 29, 2019. Due to disagreement on the text of the opinion, the filing of the response will be delayed pending a motion by the plaintiff to amend the motion for approval. On June 3, 2019, the litigation agreement reached by the parties was approved; Accordingly, the Bank filed its response to the motion for approval on October 29, 2019; The plaintiff filed their response to the Bank's response on January 1, 2020. On January 5, 2020, a pre-trial hearing took place in this case, at which the Court ruled that it would await further claims to be formulated by the parties, including with regard to a combined hearing with similar motions filed on the same matter.

On March 16, 2020, the plaintiff filed a motion for document discovery. On August 10, 2020, the Bank filed its response to the motion for discovery, and the plaintiff has filed their response to the Bank's response. On September 15, 2020, a preliminary hearing took place at which the parties were required to file their position by October 25, 2020 as to whether the motion for approval may be ruled upon based on the material in the case and written summations; consequently, the Bank has filed its position insisting on conducting an evidentiary proceeding. A preliminary hearing took place on February 9, 2021, after which a resolution was handed down accepting the Bank's position and setting dates for evidentiary hearings. The evidentiary hearing scheduled for July 20, 2021 was postponed due to mediation efforts between the parties. The parties held multiple mediation meetings, and the mediation proceeding has yet to be concluded.

E) In December 2018, a claim and motion for class action status was filed with the Tel-Aviv District Court, in the total amount of NIS 280 million, against the Bank, Bank Leumi, Bank HaPoalim, Bank Discount and against insurance companies Harel, HaPhoenix and Menorah, alleging unlawful over-charging of insurance premium for superfluous insurance policies issued to the building owner, even though at the time of their issue, the same or another insurance company already had issued insurance policies covering the same building for the same period.

The plaintiffs set the total damage, jointly and severally, at NIS 280 million. They claim that the damage with respect to each bank, should the defendants seek proportionate liability, is based on their market shares – with at least half of the damage to be attributed to the banks and the remainder – to the insurers.

Note 10 – Contingent Liabilities and Special Commitments – continued

The Bank filed its response to the motion for approval on June 10, 2019 and the plaintiff filed their response to the Bank's response on March 5, 2020. On February 16, 2021, a preliminary hearing took place, at which the Court highlighted the challenges in the motion and in combining defendants of two types (insurance companies and banks), and instructed the plaintiffs to state, by May 2, 2021, how they intend to continue with the motion for approval and against which defendants. The plaintiffs informed the Court that they were in discussions with some of the defendants in this case, and asked for an extension to provide the update. The plaintiffs must file their position by August 1, 2021. The Court accepted the plaintiffs' motion for an extension for discussions with some of the defendants, through October 30, 2021.

Such update notices were filed on October 31, 2021 and on December 31, 2021, wherein the plaintiff announced that they continued to be in discussions with defendants (other than banks), and asked for a further 30-day extension to conclude these discussions. The Court accepted the request made by the parties. Accordingly, the plaintiffs should file their position by January 31, 2022. On February 7, 2022, the Court ruled that the plaintiffs should refer in the update notice to all defendants (due to notices filed by some insurers with whom no negotiations are being conducted). Consequently, on February 13, 2022 the plaintiffs filed their own statement. On March 23, 2022, a hearing took place at which the evidentiary hearings were scheduled. Evidentiary hearings are scheduled for October-November 2022.

F) In May 2020, a motion for approval of class action status was filed with the Tel Aviv District Court, alleging breach of duty of confidentiality, by the Bank providing various identifiable information to international information corporations, and in particular to Facebook, allowing them to gather private information about Bank customers, allegedly in breach of provisions of the Privacy Protection Law, 1981 and other statutes, without providing required disclosure to Bank customers and without obtaining their consent. The plaintiff alleges that the Bank uses third-party tools, such as those of Facebook and Google, to monitor its customers when transacting on Bank web sites and apps, in order to conduct advertising campaigns, while these corporations process the information provided about the customers for their own needs, with no disclosure provided with regard to the purposes for which such information is being gathered and what information exactly is being gathered, other than a "legal disclaimer" on the Bank website which, the plaintiff alleges, is deficient and may not be regarded as consent. The plaintiff further alleges that all terms and conditions in Bank documents which permit

the Bank to provide information about Bank customers to third parties, including the "legal clarification" constitute unfair conditions in a uniform contract. The plaintiff allegedly is unable to quantify the total damage to the class. The Bank filed its response to the motion for approval on March 1, 2021. On June 27, 2021, the plaintiff filed their response to the Bank's response to the motion for approval of class action status. On July 15, 2021, a consolidated hearing of this motion and a motion filed in the same matter against other banks took place, after which deadlines were set for filing withdrawal motions with regard to changes to and expansion of the front of the plaintiff's response and responses there to. Therefore, on August 30, 2021, the Bank filed a motion to dismiss parts of the plaintiff's response to the Bank's response to the motion for approval. On November 29, 2021, the plaintiff filed their response to the motion to dismiss, and on December 9, 2021, the Bank filed its response to the plaintiff's response.

In conformity with the resolution by the Court, the lawsuits would be referred to the Supervisor of Banks for comments after a resolution will have been given in the motion to withdraw. Such resolution has yet to be given.

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

The plaintiffs allege that the Personal Zone includes private, confidential information which is provided to third parties without express consent of the customers – and in particular to Google and its advertising service. This is done, *inter alia*, in conjunction with the Bank's use of Google's Google Analytics service. The plaintiff did not state the class damage amount. However, they estimate that monetary and non-monetary damage incurred by each class member amounts to NIS 2,000.

On June 23, 2022, the Bank filed its response to the motion for approval, with an enclosed expert opinion. The plaintiffs must file their response to the Bank's response by October 30, 2022. A pre-trial hearing is scheduled for November 6, 2022.

Note 10 – Contingent Liabilities and Special Commitments – continued

H) In September 2021, the Bank received a motion for approval of class action status, filed at the Central District Court in Lod, against the Bank and four other banks, alleging publication, presentation, setting or charging commissions in foreign currency, in alleged violation of the law, rather than in NIS, and that the banks collect these fees in NIS base on high conversion rates. of NIS to foreign currency.

The plaintiffs allege that bank price lists include various bank services for which commissions are denominated in foreign currency rather than in NIS, for services which have not been authorized to publish or charge commissions in foreign currency, across the board – even for customers who have no accounts in foreign currency. The plaintiffs further allege that the defendants collect these commissions with notional conversion of NIS to foreign currency at conversion rates higher than the official conversion rates published by the Bank of Israel.

The plaintiffs seek a determination, whereby the lawsuit would be filed in the name of any or all customers of the defendants, who have received bank services from the defendants, including third parties, and have been charged, directly or indirectly, a commission or expense that has been published, presented or set on the price list in a currency other than NIS (except for the three services set in USD on the complete price list, or for customers who have a foreign currency account).

The plaintiffs note that they are unable to accurately estimate the total damage to class members.

Even prior to the deadline for filing the Bank's response, on January 2, 2022, a hearing was held in this motion for approval, consolidated for hearing purposes with another motion alleging the opposite, whereby when a fee is specified in USD on the Bank price list, the Bank should charge it in USD rather than in NIS. At the conclusion of this hearing, the parties agreed for the plaintiffs to announce their withdrawal of the motion and to commit for the plaintiffs and anyone on behalf thereof not to file it again, with the plaintiffs charged for expenses. In conformity with the resolution, on March 22, 2022 the agreed motion to withdraw was filed. On May 9, 2022, a verdict was given confirming the motion to withdraw and charging expenses to the plaintiffs.

For all claims against the Bank Group in individual amounts over NIS 2 million, excluding claims listed in section 2 above, there is additional, non-remote exposure for which no provision was made, amounting to NIS 116

3) There are pending motions for class action status against the Bank and subsidiaries thereof with a material claimed amount, as set forth below, which Bank management assumes, based on the opinion of legal counsel, that upon compiling the financial statements cannot be evaluated in terms of likelihood to prevail, and therefore no provision has been made with respect to these proceedings.

a) In February 2022, the Bank received a motion for class action status, filed with the Jerusalem District Court against the Bank and 9 other banks and against 2 private companies that operate, independently or by franchise, non-bank ATMs ("the motion").
The motion concerns cash withdrawals from customeraccounts at the defendant banks, made through non-banking ATMs operated by public companies.
The motion alleges, *inter alia*, that banks charge their customers an additional commission without full disclosure and allegedly unlawfully, for cash withdrawals made through private / non-banking ATMs, in addition to the commission paid to the private companies that operate these ATMs.
It is further alleged that these actions are in violation of the banks' statutory obligation to provide proper service to all customers, including those in areas where the bank branch had been closed (for the Bank, the motion noted that the Bank does not act to close branches); the scope of deployment of bank ATMs does not provide a solution for the entire population and for all bank customers.
The damage to the class, according to the motion, was set at NIS 458 million in total against all defendants, with the plaintiff allowing the Court discretion in allocating liability among the defendants. The Bank file his response to the motion for approval in August 7, 2022. A pre-trial hearing is scheduled for October 27, 2022.

b) In April 2022, the Bank received a motion for class action status with no estimated amount, filed against the Bank with the Tel Aviv Yafo District Court. The motion alleges unlawful charging of a file opening commission upon loan origination, with this commission being "disguised interest", in breach of the Fair Credit Law, 1993 and in violation of provisions of Regulation 3 of the Non-bank Loan Regulations (Exclusion of credit transaction types from the scope of the law and exclusion of expenses from the scope of "addition"), 2019. The Bank should file its response to the motion for approval by September 10, 2022.

Note 10 – Contingent Liabilities and Special Commitments – continued

c) In April 2022, the Bank received a motion for approval of a class action lawsuit, filed with the Haifa District Court, concerning double charging of commission, allegedly unlawfully, in an exchange transaction of two foreign currencies, and absence of proper disclosure about these charges in the conversion differences.
As for the charging of a transaction commission, the plaintiff alleged that for conversion between two foreign currencies the Bank charges two transaction commissions (a sale transaction - conversion from one currency to NIS, and a buy transaction - conversion from NIS to the other currency), even though according to them, there was actually a single exchange transaction executed from one foreign currency to the other. As for the charging of conversion differences, the plaintiff alleged that the Bank does not disclose to the customer in advance, neither in the price list nor in the booklet "General terms and conditions for account management", the exact charging of conversion differences that would apply to the transaction.
The plaintiff noted that they were unable to accurately estimate the damage incurred by class members.
On June 2, 2022, the Bank filed a motion to dismiss out of hand, due to Court action in view of verdicts given in previous lawsuits filed by the attorney of the plaintiff in this case, all of which had been denied, or dismissed out of hand, as approved by the Supreme Court. On June 23, 2022, the plaintiff filed their response to the motion to dismiss out of hand. On June 13, 2022, the Bank filed a motion for an extension for filing the Bank's response to the motion for approval; On June 30, 2022, the Court ruled that the Bank's response to the motion for approval is to be filed within 30 days after ruling on the motion to dismiss out of hand, which is still pending. A hearing in this case is scheduled for September 18, 2022.

4) Motions for class action status and a motion for approval of a derivative claim are pending against the Bank and subsidiaries thereof, as follows:

A) In September 2020, a motion for approval of a derivative lawsuit was filed with the Tel Aviv District Court by a shareholder on behalf of the Company for Economic and Cultural Enterprises for State Employees Ltd. ("Economic Enterprises Company") and on behalf of Bank Yahav for Government Employees Ltd. ("Bank Yahav") against Bank Yahav, the Bank, Board members of the Economic Enterprises Company and of Bank Yahav, including officers of the Bank.

The plaintiff alleges that Bank Yahav and the Economic Enterprises Company incurred damage due to credit extended by Bank Yahav to the Bank, by way of deposits with the Bank, allegedly in violation of the Law and in breach of fiduciary and care duties of the defendants towards Bank Yahav and towards the Economic Enterprises Company. The claimed damage for Bank Yahav is over NIS 1 billion. Bank Yahav's response to the motion was filed on April 29, 2021 and the Bank's response was filed on May 3, 2021. The plaintiffs filed their responses to the motion on August 8, 2021. On December 26, 2021, a pre-trial hearing took place. After this hearing, it was stipulated that prior to setting a date for hearing the actual motion, this case would be referred to internal reminder on February 15, 2022, and should there by no open motions on said date, an evidentiary hearing would be scheduled. The case was assigned to a new judging forum, and on March 21, 2022 the parties were instructed to schedule dates for May or June 2022. On March 23, 2022, the plaintiff filed a motion for document discovery. Concurrently, the plaintiff petitioned the Court to consider the time required for ruling on the motion, as part of scheduling the evidentiary hearing. On April 5, 2022, the Economic Enterprises Company filed a motion seeking to dismiss out of hand the motion for document discovery. On April 5, 2022, a ruling was handed down whereby, due to filing of the motion to dismiss, further hearing of the motion for document discovery shall take place after resolution of the motion to dismiss and in accordance there with. On April 27, the plaintiff filed its response to the motion to dismiss. No resolutions have been issued in this case.

B) On December 12, 2016, a motion was filed with the Tel Aviv District Court, seeking a document discovery order pursuant to provisions of Section 198a of the Companies' Law, 1999 (hereinafter: "Motion for discovery"), asking for Union Bank ("Union Bank") to be instructed to disclose documents with regard to credit extended by the bank to the customerand to others whose debt is personally guaranteed by the customer("the credit").

Note 10 – Contingent Liabilities and Special Commitments – continued

The motion alleges that members of the Board of Directors and of the Credit Committee of Union Bank have allowed the customerto accumulate enormous debt, amounting to NIS 270 million, allegedly without doing their duty to collect such debt when due. After various proceedings, on August 6, 2017 the Court approved a litigation agreement whereby proceedings in this case would be delayed, so as to allow the independent claim committee, which the Union Bank Board of Directors resolved to establish, to discuss this matter and for the Board of Directors to discuss the committee's recommendations. The independent committee has completed its work and made recommendations which are being considered by the Union Bank Board of Directors. In conformity with the litigation agreement between the parties, the content of the Board of Directors' resolution passed in said discussion was provided to the plaintiff's attorney. The parties have entered into a mediation proceeding which proved unsuccessful.

Therefore, on September 25, 2019, a motion was filed for approval of a derivative lawsuit ("the motion") against 20 individual defendants who, allegedly, serve or have served as Board members of Union Bank. The motion concerns, allegedly, loans extended to the customerin 2004-2008, with no collateral or with collateral that only partially covers his debt, with negligent discretion exercised and apparent indifference to the outcome from such matters. It further alleged that Union Bank and officers took no action to recover Union Bank's money. The plaintiff seeks to charge the defendants for the damage they have allegedly caused by their negligence, amounting to NIS 125 million, taking into account the receipts to be collected in the customer's insolvency proceedings. Concurrently, the plaintiff also filed a motion to reject the motion for document discovery and review. On October 28, 2019, the Court ordered this motion to be rejected.

By consensus request by the parties, on December 12, 2019 the Court ordered Union Bank to be added as co-defendant to the motion for approval of class action status. On May 24, 2020, Union Bank filed their response to the motion for approval of a derivative lawsuit. On May 25, 2020, the Court accepted the motion by Union Bank and issued a temporary confidentiality injunction, pending a different ruling, with regard to confidentiality of Union Bank's response to the motion towards third parties.

On July 29, 2020, a motion was filed on behalf of Globes newspaper and others, to remove the temporary confidentiality injunction, thereby allowing unlimited review and disclosure of documents enclosed with the Bank's response to the motion for approval of a derivative lawsuit. On August 10, 2020, a pre-trial hearing took place, after which the Court ruled, denying the motion for confidentiality, both for Court proceedings and for Court documents, allowing Globes to review these documents. On September 21, Union Bank filed a motion for right to appeal this ruling. On January 19, 2021, the Supreme Court rejected the motion for right to appeal filed by Union Bank and adopted the agreement whereby Union Bank would be given time to inform the Court that certain information constitutes trade secrets – with reference both to information regarding the customer's privacy and the independent committee's report, in conformity with the Court ruling dated February 1, 2021. The Bank must file such notice by February 16, 2021.

The Court approved the parties' consent to delay the hearing scheduled for January 13, 2021, in order to allow for negotiation between the Bank and insurers and other potential defendants, in conformity with the resolution dated December 31, 2020 by the Union Bank Board of Directors.

On February 18, 2021 the District Court accepted the motion filed by the Marker newspaper of HaAretz Newspaper Group Ltd. ("The Marker") and others filed a motion for injunction to review documents in the Court case and to join the proceeding with regard to the motion for confidentiality, allowing them to make claims with regard to "document redaction".

Note 10 – Contingent Liabilities and Special Commitments – continued

On April 8, 2021, a hearing took place at which Union Bank provided an update to the Court on negotiations between the Bank and insurers and other potential defendants. At the end of this hearing, the Court ruled that by May 19, 2021, the defendants shall conclude the negotiations and inform the Court and the other party of the outcome thereof. The defendants should also consider including the plaintiff in the negotiations stage. In conformity with resolution, on May 19, 2021, Union Bank filed a notice whereby the negotiations have yet to be concluded and asking for a further 30-day extension. The Court granted the motion by Union Bank and ordered the update to be filed no later than June 20, 2021. On June 22, 2021, the Court granted the motion by Union Bank seeking a similar extension. On July 21, 2021, Union Bank filed an update motion, whereby the negotiations between the parties were in the final stages and asked for a further extension to conclude negotiations by September 9, 2021; the plaintiff filed their response. On July 23, 2021, the Court partially granted the Bank's motion and ordered a further update with regard to the negotiations to be filed no later than September 1, 2021. In conformity with the resolution, Union Bank has filed a update notice seeking the Court to allow the Bank to make further progress on the settlement, and to file a further update notice with regard to negotiations by the parties, no later than November 3, 2021. On October 4, 2021, the Court allowed the motion by Union Bank to provide an extension for an update, and instructed the parties to agree on dates for evidentiary hearings. On October 6, 2021, the Court handed down its ruling, scheduling the evidentiary hearing on March 22, 2022. Should there be any development in the parties' settlement negotiations – the parties should inform the Court of such progress. On March 28, 2022, the Union Bank Board of Directors, convened in an un-tainted forum, resolved to approve signing by the Bank of a settlement agreement reached with the officers and insurers of the Board member and officer liability insurance policy; This agreement was filed for approval by the Court. On April 17, 2022, the Court ruled on the motion for approval of the settlement agreement; The Court allowed the plaintiff, even prior to discussing the approval of the settlement agreement, to consider whether they may join this agreement. Therefore, the parties were asked to file a joint notice, no later than May 2, 2022, stating whether or not they had reached agreement with regard to the arrangement and approval proceedings thereof.

Should agreement not be reached, the plaintiff may file their comments on litigation aspects of the motion for approval, no later than May 9, 2022. In conformity with this resolution, Union Bank filed a notice stating that no agreement has been reached with the plaintiff with regard to the arrangement and approval proceedings thereof. In conformity with the Court ruling. on May 12, 2022. the plaintiff filed their response to litigation aspects of the motion for approval of the settlement agreement. On May 16, 2022, the Court ruled, allowing the Attorney General to submit their comments no later than June 6, 2022. The Court also clarified that a hearing would take place, in any case, prior to making the settlement agreement public. On July 18, 2022, the Attorney General filed their position, whereby the motion for approval of the settlement agreement should be denied, due to the way in which it has been achieved. Therefore, the Court has ruled that no later than September 9, 2022, the defendants shall announce how they intend to move forward with this proceeding and their position with regard to inclusion of the defendant in formulating the settlement agreement, as an altenative to litigation.

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 June 30, 2022				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	2,347	625	74	156	3,202
Guarantees to home buyers	13,009	4,945	354	1,277	19,585
Guarantees and other commitments	5,633	1,389	421	4,721	12,164
Commitments to issue guarantees	3,034	5,351	625	-	9,010
Total guarantees	**24,024**	**12,310**	**1,474**	**6,154**	**43,962**

	As of June 30, 2021				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	2,073	859	95	199	3,226
Guarantees to home buyers	8,410	2,612	658	1,517	13,197
Guarantees and other commitments	4,517	1,001	146	4,627	10,291
Commitments to issue guarantees	4,264	4,347	2,265	73	10,949
Total guarantees	**19,264**	**8,819**	**3,164**	**6,416**	**37,663**

	As of December 31, 2021				
	Expiring in 12 months or sooner	Expiring in 1 to 3 years	Expiring in 3 to 5 years	Expiring in over 5 years	Total
Loan guarantees	2,177	527	111	506	3,321
Guarantees to home buyers	10,699	3,796	534	1,553	16,582
Guarantees and other commitments	4,137	1,278	435	4,721	10,571
Commitments to issue guarantees	2,480	5,691	1,142	38	9,351
Total guarantees	**19,493**	**11,292**	**2,222**	**6,818**	**39,825**

Note 11 – Derivative instruments and hedging activities

Reported amounts (NIS in millions)

A) Activity on consolidated basis

	June 30, 2022			June 30, 2021		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
			(unaudited)			(unaudited)
1. Stated amounts of derivative instruments						
Interest contracts						
Forward contracts	839	1,840	2,679	1,179	-	1,179
Options written	-	-	-	-	34	34
Options purchased	-	-	-	-	75	75
Swaps[(1)]	30,814	31,014	61,828	33,863	20,315	54,178
Total[(2)]	**31,653**	**32,854**	**64,507**	**35,042**	**20,424**	**55,466**
Of which: Hedging derivatives[(3)]	**3,467**	**-**	**3,467**	**3,876**	**-**	**3,876**
Currency contracts						
Forward contracts[(4)(6)]	70,137	92,611	162,748	61,138	83,259	144,397
Options written	-	15,846	15,846	1,809	15,674	17,483
Options purchased	-	15,394	15,394	1,694	16,642	18,336
Swaps	1,240	1,025	2,265	1,511	1,363	2,874
Total	**71,377**	**124,876**	**196,253**	**66,152**	**116,938**	**183,090**
Of which: Hedging derivatives[(3)]	**-**	**-**	**-**	**-**	**-**	**-**
Contracts for shares						
Options written	96	24,927	25,023	356	31,954	32,310
Options purchased[(5)]	15	24,585	24,600	11	31,891	31,902
Swaps	-	1,111	1,111	-	1,235	1,235
Total	**111**	**50,623**	**50,734**	**367**	**65,080**	**65,447**
Commodities and other contracts						
Forward contracts	-	4	4	228	8	236
Options written	-	7	7	-	-	-
Options purchased	-	7	7	-	-	-
Total	**-**	**18**	**18**	**228**	**8**	**236**
Credit contracts						
Bank is guarantor	280	-	280	261	-	261
Bank is beneficiary	73	-	73	98	-	98
Total	**353**	**-**	**353**	**359**	**-**	**359**
Total stated amount	**103,494**	**208,371**	**311,865**	**102,148**	**202,450**	**304,598**

(1) Includes swaps where the banking corporation pays a fixed interest rate amounting to NIS 32,598 million (as of June 30, 2021: NIS 40,280 million).
(2) Of which: NIS/CPI swaps amounting to NIS 7,032 million (as of June 30, 2021: NIS 6,874 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 7,195 million (as of June 30, 2021: NIS 10,371 million).
(5) Of which: Traded on the Stock Exchange, amounting to NIS 24,927 million (as of June 30, 2021: NIS 16,244 million).
(6) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

a) Activity on consolidated basis – continued

	December 31, 2021		
	Derivatives not held for trading	Derivatives held for trading	Total
			(audited)
1. Stated amounts of derivative instruments			
Interest contracts			
Forward contracts	929	-	929
Options written	-	-	-
Options purchased	-	-	-
Swaps[(1)]	28,571	22,422	50,993
Total[(2)]	**29,500**	**22,422**	**51,922**
Of which: Hedging derivatives[(3)]	**3,921**	**-**	**3,921**
Currency contracts			
Forward contracts[(4)(6)]	58,002	99,090	157,092
Options written	190	14,748	14,938
Options purchased	217	14,349	14,566
Swaps	1,352	1,191	2,543
Total	**59,761**	**129,378**	**189,139**
Of which: Hedging derivatives[(3)]	**-**	**-**	**-**
Contracts for shares			
Options written	473	32,089	32,562
Options purchased[(5)]	18	31,908	31,926
Swaps	-	791	791
Total	**491**	**64,788**	**65,279**
Commodities and other contracts			
Forward contracts	-	1	1
Options written	-	28	28
Options purchased	-	28	28
Total	**-**	**57**	**57**
Credit contracts			
Bank is guarantor	249	-	249
Bank is beneficiary	81	-	81
Total	**330**	**-**	**330**
Total stated amount	**90,082**	**216,645**	**306,727**

(1) Of which: seaps where the banking corporation pays a fixed interest, amounting to NIS 31,953 million.
(2) Of which: NIS/CPI swaps amounting to NIS 7,086 million.
(3) The Bank conducts fair value hedging and cash flow hedging through interest rate swap contracts and NIS/CPI swap contracts, respectively.
(4) Of which: Foreign currency spot swaps amounting to NIS 5,799 million.
(5) Of which: Traded on the stock exchange, amounting to NIS 31,907 million.
(6) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

a) Activity on consolidated basis – continued

	June 30, 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
						(unaudited)
2. Fair value of derivative instruments, gross						
Interest contracts	942	468	1,410	876	447	1,323
Of which: Hedging derivatives	125	-	125	86	-	86
Currency contracts(1)	324	5,033	5,357	125	4,514	4,639
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	-	320	320	9	289	298
Commodities and other contracts	-	-	-	-	-	-
Credit contracts	2	-	2	13	-	13
Total assets / liabilities with respect to derivatives, gross(2)	**1,268**	**5,821**	**7,089**	**1,023**	**5,250**	**6,273**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**1,268**	**5,821**	**7,089**	**1,023**	**5,250**	**6,273**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	92	1,432	1,524	97	843	940

	June 30, 2021 (unaudited)					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
						(unaudited)
2. Fair value of derivative instruments, gross						
Interest contracts	455	334	789	641	407	1,048
Of which: Hedging derivatives	42	-	42	167	-	167
Currency contracts(1)	215	1,004	1,219	177	922	1,099
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	-	418	418	27	235	262
Commodities and other contracts	1	1	2	1	1	2
Credit contracts	6	-	6	4	-	4
Total assets / liabilities with respect to derivatives, gross(2)	**677**	**1,757**	**2,434**	**850**	**1,565**	**2,415**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**677**	**1,757**	**2,434**	**850**	**1,565**	**2,415**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	84	332	416	91	341	432

(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 9 million (as of June 30, 2021: NIS 8 million). Fair value of liabilities with respect to embedded derivative instruments amounting to NIS 9 million (as of June 31, 2021: NIS 3 million).

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

a) Activity on consolidated basis – continued

	December 31, 2021					
	Assets with respect to derivatives, gross			Liabilities with respect to derivatives, gross		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
						(audited)
2. Fair value of derivative instruments, gross						
Interest contracts	335	266	601	498	299	797
Of which: Hedging derivatives	34	-	34	149	-	149
Currency contracts(1)	160	2,183	2,343	214	2,478	2,692
Of which: Hedging derivatives	-	-	-	-	-	-
Contracts for shares	-	713	713	-	259	259
Commodities and other contracts	-	-	-	-	-	-
Credit contracts	2	-	2	5	-	5
Total assets / liabilities with respect to derivatives, gross(2)	**497**	**3,162**	**3,659**	**717**	**3,036**	**3,753**
Fair value amounts offset in the balance sheet	-	-	-	-	-	-
Carrying amount of assets / liabilities with respect to derivative instruments	**497**	**3,162**	**3,659**	**717**	**3,036**	**3,753**
Of which: Carrying amount with respect to derivative instruments not subject to a master netting agreement or to similar agreements	88	834	922	57	1,032	1,089

(1) Including diversion between the trading portfolio and the banking portfolio, primarily due to proactive internal transactions as part of asset and liability management.

(2) Of which: Gross fair value of assets with respect to embedded derivatives amounting to NIS 7 million.

b) Accounting hedges

1. Fair value hedge(1)

	For the three months ended June 30, 2022	For the six months ended June 30, 2022
	Interest revenues (expenses)	Interest revenues (expenses)
Interest contracts		
Hedged items	(56)	(161)
Hedging derivatives	57	158

	Balance as of June 30, 2022	
	Book value	Cumulative fair value adjustments that increased the book value
Securities available for sale	1,647	6

2. Cash flows hedges(2)

For the three months ended June 30, 2022		For the six months ended June 30, 2022	
Amounts recognized in Other Comprehensive Income (loss) from derivatives	Amounts recognized in Other Comprehensive Income (loss) from derivatives	Amounts recognized in Other Comprehensive Income (loss) from derivatives	Amounts recognized in Other Comprehensive Income (loss) from derivatives
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

	June 30, 2022					
	Stock exchanges	Banks	Dealers/ Brokers	Governments and central banks	Others	Total
						(unaudited)
Carrying amount of assets with respect to derivative instruments	**133**	**2,347**	**14**	**-**	**4,595**	**7,089**
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk with respect to financial instruments	-	(2,025)	-	-	(1,208)	[(1)](3,233)
Mitigation of credit risk with respect to cash collateral received	-	(178)	-	-	(500)	(678)
Net amount of assets with respect to derivative instruments	**133**	**144**	**14**	**-**	**2,887**	**3,178**
Off-balance sheet credit risk on derivative instruments[(2)]	198	991	333	-	1,251	2,773
Mitigation of off-balance sheet credit risk	-	(597)	-	-	(253)	(850)
Net off-balance sheet credit risk with respect to derivative instruments	**198**	**394**	**333**	**-**	**998**	**1,923**
Total credit risk on derivative instruments	**331**	**538**	**347**	**-**	**3,885**	**5,101**
Carrying amount of liabilities with respect to derivative instruments	**125**	**4,085**	**14**	**31**	**2,018**	**6,273**
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(2,025)	-	-	(1,208)	(3,233)
Pledged cash collateral	-	(1,873)	-	(26)	(316)	(2,215)
Net amount of liabilities with respect to derivative instruments	**125**	**187**	**14**	**5**	**494**	**825**

	June 30, 2021					
	Stock exchanges	Banks	Dealers/ Brokers	Governments and central banks	Others	Total
						(unaudited)
Carrying amount of assets with respect to derivative instruments	**71**	**1,290**	**52**	**9**	**1,012**	**2,434**
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk with respect to financial instruments	-	(1,045)	-	-	(271)	[(1)](1,316)
Mitigation of credit risk with respect to cash collateral received	-	(245)	-	-	(74)	(319)
Net amount of assets with respect to derivative instruments	**71**	**-**	**52**	**9**	**667**	**799**
Off-balance sheet credit risk on derivative instruments[(2)]	259	1,046	129	-	1,254	2,688
Mitigation of off-balance sheet credit risk	-	(662)	-	-	(392)	(1,054)
Net off-balance sheet credit risk with respect to derivative instruments	**259**	**384**	**129**	**-**	**862**	**1,634**
Total credit risk on derivative instruments	**330**	**384**	**181**	**9**	**1,529**	**2,433**
Carrying amount of liabilities with respect to derivative instruments	**73**	**1,283**	**60**	**7**	**992**	**2,415**
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,045)	-	-	(271)	(1,316)
Pledged cash collateral	-	(106)	-	-	(147)	(253)
Net amount of liabilities with respect to derivative instruments	**73**	**132**	**60**	**7**	**574**	**846**

(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.

Note 11 – Derivative instruments and hedging activities – continued

Reported amounts (NIS in millions)

C) Credit risk on financial derivatives according to counter-party to the contract – Consolidated – continued

						As of December 31, 2021
	Stock exchanges	Banks	Dealers/ Brokers	Governments and central banks	Others	Total
						(audited)
Carrying amount of assets with respect to derivative instruments	**73**	**1,905**	**77**	**42**	**1,562**	**3,659**
Gross amounts not offset in the balance sheet:						
Mitigation of credit risk with respect to financial instruments	-	(1,132)	-	-	(791)	(1)(1,923)
Mitigation of credit risk with respect to cash collateral received	-	(773)	-	(42)	(195)	(1,010)
Net amount of assets with respect to derivative instruments	**73**	**-**	**77**	**-**	**576**	**726**
Off-balance sheet credit risk on derivative instruments(2)	312	968	142	-	1,175	2,597
Mitigation of off-balance sheet credit risk	-	(661)	-	-	(372)	(1,033)
Net off-balance sheet credit risk with respect to derivative instruments	**312**	**307**	**142**	**-**	**803**	**1,564**
Total credit risk on derivative instruments	**385**	**307**	**219**	**-**	**1,379**	**2,290**
Carrying amount of liabilities with respect to derivative instruments	**74**	**1,150**	**77**	**-**	**2,452**	**3,753**
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,132)	-	-	(791)	(1,923)
Pledged cash collateral	-	(18)	-	-	(329)	(347)
Net amount of liabilities with respect to derivative instruments	**74**	**-**	**77**	**-**	**1,332**	**1,483**

(1) This balance consists entirely of derivative instruments subject to offset agreements.

2) The difference, if positive, between the total amounts with respect to derivative instruments (including with respect to derivative instruments with negative fair value) included under borrower indebtedness, as calculated for restrictions on indebtedness of a borrower, before mitigation of credit risk, and the carrying amount of assets with respect to derivative instruments of the borrower.

In the three-month period ended June 30, 2022, the Bank recognized expenses from increase in provision for credit losses amounting to NIS 10 million. In the six-month period ended June 30, 2022, the Bank recognized revenues from decrease in provision for credit losses amounting to NIS 12 million (in the three-month period ended June 30, 2021, the Bank recognized revenues from decrease in provision for credit losses amounting to NIS 3 million). In the six-month period ended June 30, 2021, the Bank recognized revenues from decrease in provision for credit losses amounting to NIS 6 million.

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

					June 30, 2022
	Up to three months	3 months to 1 year	1-5 years	Over 5 years	Total
					(unaudited)
Interest contracts:					
NIS – CPI	636	2,664	2,920	812	7,032
Other	8,077	14,968	20,325	14,105	57,475
Currency contracts	119,404	73,980	2,721	148	196,253
Contracts for shares	49,245	1,345	142	2	50,734
Commodities and other contracts	-	284	87	-	371
Total	**177,362**	**93,241**	**26,195**	**15,067**	**311,865**
					June 30, 2021
					(unaudited
Total	**163,750**	**88,405**	**37,531**	**14,912**	**304,598**
					As of December 31, 2021
					(audited)
Total	**173,645**	**89,761**	**30,396**	**12,925**	**306,727**

Note 12 – Operating Segments

A. Information regarding supervisory operating segments

On November 3, 2014, the Supervisor of Banks issued an update to the Public Reporting Directives concerning supervisory operating segments. According to the directive, the Bank is required to provide, on its financial statements, disclosure with regard to supervisory operating segments in conformity with a uniform, comparable layout specified by the Supervisor of Banks; attribution to supervisory operating segments is typically determined by the turnover volume for customers.

The financial information on the Report of the Board of Directors and Management is included based on definitions of supervisory segments.

In addition, the financial statements include – in Note 12 to the financial statements – disclosure with regard to "Operating segments in conformity with the management approach".

An operating segment in conformity with the management approach is a Bank component with operations which may derive revenues and incur expenses which meet the following criteria:

- Its operating results are regularly reviewed for the purpose of decision making about resource allocation and for performance evaluation.
- Separate financial information is available with regard to it.

In fact, there is a strong correlation between supervisory operating segments and "operating segments in conformity with the management approach" but nevertheless, there are some differences in 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 six months ended June 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	4,614	778	20	5,392	1	824
Interest expenses from externals	-	540	-	540	158	156
Interest revenues, net from externals	4,614	238	20	4,852	(157)	668
Interest revenues, net – inter-segment	(3,402)	558	(3)	(2,844)	210	99
Total interest revenues (expenses), net	**1,212**	**796**	**17**	**2,008**	**53**	**767**
Total non-interest financing revenues	-	-	-	-	-	-
Total commissions and other revenues	67	373	88	440	14	284
Total non-interest revenues	**67**	**373**	**88**	**440**	**14**	**284**
Total revenues	**1,279**	**1,169**	**105**	**2,448**	**67**	**1,051**
Expenses (income) with respect to credit losses	52	32	-	84	-	25
Operating and other expenses to externals	443	1,164	38	1,607	9	599
Operating and other expenses – inter-segment	-	(42)	(4)	(42)	2	(24)
Total operating and other expenses	**443**	**1,122**	**34**	**1,565**	**11**	**575**
Pre-tax profit (loss)	784	15	71	799	56	451
Provision for taxes on profit	263	5	24	268	19	151
After-tax profit (loss)	**521**	**10**	**47**	**531**	**37**	**300**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	521	10	47	531	37	300
Net profit attributed to non-controlling interests	-	(32)	(2)	(32)	-	(4)
Net profit (loss) attributable to shareholders of the banking corporation	**521**	**(22)**	**45**	**499**	**37**	**296**
Average balance of assets	182,569	25,263	4,198	207,832	123	32,219
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	182,569	25,263	4,198	207,832	123	32,219
Balance of loans to the public at end of reported period	190,179	26,854	4,643	217,033	151	34,493
Balance of non-accruing debts	2,161	73	-	2,234	-	551
Balance of debt in arrears 90 days or longer	-	35	-	35	-	70
Average balance of liabilities	-	124,391	4,198	124,391	22,273	53,245
Of which: Average balance of deposits from the public	-	120,193	-	120,193	22,273	53,245
Balance of deposits from the public at end of reported period	-	123,387	-	123,387	24,029	55,875
Average balance of risk assets(1)	104,119	23,929	4,230	128,048	71	29,092
Balance of risk assets at end of reported period(1)	106,794	24,631	4,193	131,425	70	31,342
Average balance of assets under management(2)	7,671	58,371	-	66,042	5,530	39,761
Breakdown of interest revenues, net:						
Margin from credit granting operations	1,160	494	17	1,654	1	640
Margin from activities of receiving deposits	-	297	-	297	50	105
Other	52	5	-	57	2	22
Total interest revenues, net	**1,212**	**796**	**17**	**2,008**	**53**	**767**

(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.

						Operations overseas	Total
	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
-							
	235	382	26	94	6,954	151	7,105
	48	167	327	1,102	2,498	10	2,508
	187	215	(301)	(1,008)	4,456	141	4,597
	16	126	385	2,024	16	(16)	-
	203	**341**	**84**	**1,016**	**4,472**	**125**	**4,597**
	(1)	1	-	279	279	14	293
	51	100	26	594	1,509	17	1,526
	50	**101**	**26**	**873**	**1,788**	**31**	**1,819**
	253	**442**	**110**	**1,889**	**6,260**	**156**	**6,416**
	25	36	(1)	-	169	17	186
	104	152	70	253	2,794	36	2,830
	19	27	16	2	-	-	-
	123	**179**	**86**	**255**	**2,794**	**36**	**2,830**
	105	227	25	1,634	3,297	103	3,400
	35	76	8	548	1,105	36	1,141
	70	**151**	**17**	**1,086**	**2,192**	**67**	**2,259**
	-	-	-	2	2	-	2
	70	151	17	1,088	2,194	67	2,261
	-	-	-	(18)	(54)	-	(54)
	70	**151**	**17**	**1,070**	**2,140**	**67**	**2,207**
	11,036	25,166	2,007	110,487	388,870	16,331	405,201
	-	-	-	109	109	-	109
	11,036	25,166	2,007	-	278,383	4,669	283,052
	11,476	28,460	3,321	-	294,934	5,937	300,871
	412	184	-	-	3,381	89	3,470
	-	38	-	-	143	-	143
	14,438	36,372	61,646	64,429	376,794	14,949	391,743
	14,438	36,372	61,646	-	308,167	4,766	312,933
	13,908	38,132	66,998	-	322,329	5,555	327,884
	13,207	35,383	1,954	13,041	220,796	6,136	226,932
	13,102	36,639	2,913	13,036	228,527	7,256	235,783
	6,544	31,639	381,165	3,142	533,823	-	533,823
-							
	172	276	14	-	2,757	99	2,856
	26	46	59	-	583	4	587
	5	19	11	1,016	1,132	22	1,154
	203	**341**	**84**	**1,016**	**4,472**	**125**	**4,597**

Note 12 – Operating Segments – continued
Supervisory operating segments
For the six months ended June 30, 2021 (unaudited)
Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	3,240	606	18	3,846	2	698
Interest expenses from externals	1	361	-	362	104	79
Interest revenues, net from externals	3,239	245	18	3,484	(102)	619
Interest revenues, net – inter-segment	(2,148)	473	(3)	(1,675)	144	45
Total interest revenues, net	**1,091**	**718**	**15**	**1,809**	**42**	**664**
Total non-interest financing revenues	-	-	-	-	-	3
Total commissions and other revenues	72	339	68	411	35	236
Total non-interest revenues	**72**	**339**	**68**	**411**	**35**	**239**
Total revenues	**1,163**	**1,057**	**83**	**2,220**	**77**	**903**
Expenses with respect to credit losses	(82)	(31)	-	(113)	(4)	(37)
Operating and other expenses to externals	432	1,111	36	1,543	14	535
Operating and other expenses – inter-segment	-	(42)	(4)	(42)	2	(24)
Total operating and other expenses	**432**	**1,069**	**32**	**1,501**	**16**	**511**
Pre-tax profit (loss)	813	19	51	832	65	429
Provision (reduced provision) for taxes on profit	279	7	17	286	22	147
After-tax profit (loss)	**534**	**12**	**34**	**546**	**43**	**282**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	534	12	34	546	43	282
Net profit attributed to non-controlling interests	-	(23)	(2)	(23)	-	(3)
Net profit (loss) attributable to shareholders of the banking corporation	**534**	**(11)**	**32**	**523**	**43**	**279**
Average balance of assets	160,503	23,971	3,176	184,474	265	29,655
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	160,503	23,971	3,176	184,474	265	29,655
Balance of loans to the public at end of reported period	164,401	25,928	4,428	190,329	212	29,140
Balance of non-accruing debts	59	82	-	141	-	773
Balance of debt in arrears 90 days or longer	1,331	19	-	1,350	-	25
Average balance of liabilities	-	119,709	3,176	119,709	20,829	45,863
Of which: Average balance of deposits from the public	-	116,533	-	116,533	20,829	45,863
Balance of deposits from the public at end of reported period	-	117,284	-	117,284	21,393	48,538
Average balance of risk assets(1)	93,201	22,509	4,138	115,710	123	27,389
Balance of risk assets at end of reported period(1)	95,785	22,687	4,247	118,472	77	26,738
Average balance of assets under management(2)	8,696	52,225	-	60,921	6,777	27,688
Breakdown of interest revenues, net:						
Margin from credit granting operations	1,036	476	15	1,512	1	577
Margin from activities of receiving deposits	-	226	-	226	37	60
Other	55	16	-	71	4	27
Total interest revenues, net	**1,091**	**718**	**15**	**1,809**	**42**	**664**

(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.

						Operations overseas	Total
	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
-							
	191	316	17	120	5,190	103	5,293
	36	116	218	649	1,564	3	1,567
	155	200	(201)	(529)	3,626	100	3,726
	15	100	258	1,113	-	-	-
	170	**300**	**57**	**584**	**3,626**	**100**	**3,726**
	-	1	2	246	252	3	255
	58	77	27	221	1,065	22	1,087
	58	**78**	**29**	**467**	**1,317**	**25**	**1,342**
	228	**378**	**86**	**1,051**	**4,943**	**125**	**5,068**
	20	(57)	(26)	-	(217)	(10)	(227)
	89	164	61	232	2,638	36	2,674
	19	27	16	2	-	-	-
	108	**191**	**77**	**234**	**2,638**	**36**	**2,674**
	100	244	35	817	2,522	99	2,621
	34	84	12	279	864	34	898
	66	**160**	**23**	**538**	**1,658**	**65**	**1,723**
	-	-	-	(11)	(11)	-	(11)
	66	160	23	527	1,647	65	1,712
	-	-	-	(22)	(48)	-	(48)
	66	**160**	**23**	**505**	**1,599**	**65**	**1,664**
	9,627	21,908	1,704	103,096	350,729	16,756	367,485
	-	-	-	22	22	-	22
	9,627	21,908	1,704	-	247,633	3,384	251,017
	10,119	20,537	2,560	-	252,897	3,544	256,441
	164	291	-	-	1,369	1	1,370
	-	-	-	-	1,375	-	1,375
	16,101	39,487	49,173	39,422	330,584	16,006	346,590
	16,101	39,487	49,173	-	287,986	4,192	292,178
	16,357	33,824	53,060	-	290,456	3,935	294,391
	11,770	29,377	2,467	12,161	198,997	4,736	203,733
	12,229	29,612	2,368	12,697	202,193	4,586	206,779
	3,365	19,606	357,608	23,417	499,382	-	499,382
-							
	141	253	12	-	2,496	28	2,524
	22	23	31	-	399	3	402
	7	24	14	584	731	69	800
	170	**300**	**57**	**584**	**3,626**	**100**	**3,726**

Note 12 – Operating Segments – continued
Supervisory operating segments
For the three months ended June 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	2,628	397	11	3,025	1	454
Interest expenses from externals	-	319	-	319	93	97
Interest revenues, net from externals	2,628	78	11	2,706	(92)	357
Interest revenues, net – inter-segment	(2,019)	356	(2)	(1,663)	122	53
Total interest revenues, net	**609**	**434**	**9**	**1,043**	**30**	**410**
Total non-interest financing revenues	-	-	-	-	-	-
Total commissions and other revenues	31	183	56	214	8	139
Total non-interest revenues	**31**	**183**	**56**	**214**	**8**	**139**
Total revenues	**640**	**617**	**65**	**1,257**	**38**	**549**
Expenses (income) with respect to credit losses	38	17	-	55	1	12
Operating and other expenses to externals	218	571	17	789	6	295
Operating and other expenses – inter-segment	-	-	-	-	-	-
Total operating and other expenses	**218**	**571**	**17**	**789**	**6**	**295**
Pre-tax profit (loss)	384	29	48	413	31	242
Provision (reduced provision) for taxes on profit	133	10	17	143	11	84
After-tax profit	**251**	**19**	**31**	**270**	**20**	**158**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	251	19	31	270	20	158
Net profit attributed to non-controlling interests	-	(20)	(2)	(20)	-	(2)
Net profit (loss) attributable to shareholders of the banking corporation	**251**	**(1)**	**29**	**250**	**20**	**156**
Average balance of assets	186,571	25,292	4,855	211,863	130	33,100
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	186,571	25,292	4,855	211,863	130	33,100
Balance of loans to the public at end of reported period	(3)190,179	26,854	4,643	217,033	151	34,493
Balance of non-accruing debts	2,161	73	-	2,234	-	551
Balance of debt in arrears 90 days or longer	-	35	-	35	-	70
Average balance of liabilities	-	125,665	4,855	125,665	22,763	54,783
Of which: Average balance of deposits from the public	-	120,810	-	120,810	22,763	54,783
Balance of deposits from the public at end of reported period	-	123,387	-	123,387	24,029	55,875
Average balance of risk assets(1)	105,205	24,196	4,209	129,401	69	29,956
Balance of risk assets at end of reported period(1)	106,794	24,631	4,193	131,425	70	31,342
Average balance of assets under management(2)	7,468	57,207	-	64,675	4,934	38,657
Breakdown of interest revenues, net:						
Margin from credit granting operations	582	251	10	833	-	332
Margin from activities of receiving deposits	-	180	-	180	29	69
Other	27	3	(1)	30	1	9
Total interest revenues, net	**609**	**434**	**9**	**1,043**	**30**	**410**

(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 clients classified under the micro and small business segment, amounting to NIS 14,797 million

						Operations overseas	Total
	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
-							
	127	220	13	30	3,870	91	3,961
	29	103	221	639	1,501	7	1,508
	98	117	(208)	(609)	2,369	84	2,453
	12	69	258	1,162	13	(13)	-
	110	**186**	**50**	**553**	**2,382**	**71**	**2,453**
	(1)	-	-	164	163	13	176
	25	44	11	121	562	12	574
	24	**44**	**11**	**285**	**725**	**25**	**750**
	134	**230**	**61**	**838**	**3,107**	**96**	**3,203**
	24	6	(5)	-	93	14	107
	66	91	48	129	1,424	18	1,442
	-	-	-	-	-	-	-
	66	**91**	**48**	**129**	**1,424**	**18**	**1,442**
	44	133	18	709	1,590	64	1,654
	15	46	6	245	550	22	572
	29	**87**	**12**	**464**	**1,040**	**42**	**1,082**
	-	-	-	1	1	-	1
	29	87	12	465	1,041	42	1,083
	-	-	-	(8)	(30)	-	(30)
	29	**87**	**12**	**457**	**1,011**	**42**	**1,053**
	11,759	26,820	2,008	119,808	405,488	17,308	422,796
	-	-	-	18	18	-	18
	11,759	26,820	2,008	-	285,680	4,965	290,645
	11,476	28,460	3,321	-	294,934	5,937	300,871
	412	184	-	-	3,381	89	3,470
	-	38	-	-	143	-	143
	14,114	37,521	63,518	83,758	402,122	15,934	418,056
	14,114	37,521	63,518	-	313,509	5,037	318,546
	13,908	38,132	66,998	-	322,329	5,555	327,884
	13,342	36,270	2,217	13,403	224,658	6,385	231,043
	13,102	36,639	2,913	13,036	228,527	7,256	235,783
	6,608	30,232	373,258	3,097	521,461	-	521,461
-							
	92	147	7	-	1,411	3	1,414
	16	29	41	-	364	(2)	362
	2	10	2	553	607	70	677
	110	**186**	**50**	**553**	**2,382**	**71**	**2,453**

Note 12 – Operating Segments – continued
Supervisory operating segments
For the three months ended June 30, 2021 (unaudited)
Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	2,012	336	9	2,348	1	355
Interest expenses from externals	1	231	-	232	64	50
Interest revenues, net from externals	2,011	105	9	2,116	(63)	305
Interest revenues, net – inter-segment	(1,455)	252	(2)	(1,203)	82	27
Total interest revenues (expenses), net	**556**	**357**	**7**	**913**	**19**	**332**
Total non-interest financing revenues	-	-	-	-	-	1
Total commissions and other revenues	36	165	24	201	19	115
Total non-interest revenues	**36**	**165**	**24**	**201**	**19**	**116**
Total revenues	**592**	**522**	**31**	**1,114**	**38**	**448**
Expenses with respect to credit losses	(59)	(24)	-	(83)	(1)	(53)
Operating and other expenses to externals	221	542	16	763	5	257
Operating and other expenses – inter-segment	-	-	-	-	-	-
Total operating and other expenses	**221**	**542**	**16**	**763**	**5**	**257**
Pre-tax profit	430	4	15	434	34	244
Provision for taxes on profit	150	1	5	151	12	85
After-tax profit	**280**	**3**	**10**	**283**	**22**	**159**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit before attribution to non-controlling interests	280	3	10	283	22	159
Net profit attributed to non-controlling interests	-	(12)	(1)	(12)	-	(1)
Net profit attributable to shareholders of the banking corporation	**280**	**(9)**	**9**	**271**	**22**	**158**
Average balance of assets	162,811	23,528	3,251	186,339	223	29,675
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	162,811	23,528	3,251	186,339	223	29,675
Balance of loans to the public at end of reported period	164,401	25,928	4,428	190,329	212	29,140
Balance of non-accruing debts	59	82	-	141	-	773
Balance of debt in arrears 90 days or longer	1,331	19	-	1,350	-	25
Average balance of liabilities	-	120,357	3,251	120,357	21,163	46,036
Of which: Average balance of deposits from the public	-	117,106	-	117,106	21,163	46,036
Balance of deposits from the public at end of reported period	-	117,284	-	117,284	21,393	48,538
Average balance of risk assets(1)	94,342	22,548	4,247	116,890	63	27,183
Balance of risk assets at end of reported period(1)	95,785	22,687	4,247	118,472	77	26,738
Average balance of assets under management(2)	8,005	58,153	-	66,158	9,355	19,978
Breakdown of interest revenues, net:						
Margin from credit granting operations	525	238	7	763	-	291
Margin from activities of receiving deposits	-	111	-	111	18	30
Other	31	8	-	39	1	11
Total interest revenues, net	**556**	**357**	**7**	**913**	**19**	**332**

(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.

	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Operations overseas: Total – operations overseas	Total
-							
	98	161	10	58	3,031	54	3,085
	21	79	160	442	1,048	2	1,050
	77	82	(150)	(384)	1,983	52	2,035
	8	79	183	825	1	(1)	-
	85	**161**	**33**	**441**	**1,984**	**51**	**2,035**
	-	(2)	-	64	63	3	66
	32	39	13	109	528	16	544
	32	**37**	**13**	**173**	**591**	**19**	**610**
	117	**198**	**46**	**614**	**2,575**	**70**	**2,645**
	4	(92)	(7)	-	(232)	(8)	(240)
	54	96	41	104	1,320	13	1,333
	-	-	-	-	-	-	-
	54	**96**	**41**	**104**	**1,320**	**13**	**1,333**
	59	194	12	510	1,487	65	1,552
	21	68	4	176	517	23	540
	38	**126**	**8**	**334**	**970**	**42**	**1,012**
	-	-	-	1	1	-	1
	38	126	8	335	971	42	1,013
	-	-	-	(12)	(25)	-	(25)
	38	**126**	**8**	**323**	**946**	**42**	**988**
	9,885	23,176	1,860	109,603	360,761	16,526	377,287
	-	-	-	18	18	-	18
	9,885	23,176	1,860	-	251,158	3,347	254,505
	10,119	20,537	2,560	-	252,897	3,544	256,441
	164	291	-	-	1,369	1	1,370
	-	-	-	-	1,375	-	1,375
	16,921	41,915	51,165	42,338	339,895	15,701	355,596
	16,921	41,906	51,165	-	294,297	3,977	298,274
	16,357	33,824	53,060	-	290,456	3,935	294,391
	11,715	29,675	2,517	12,597	200,640	4,717	205,357
	12,229	29,612	2,368	12,697	202,193	4,586	206,779
	2,392	20,084	364,991	43,655	526,613	-	526,613
-							
	70	129	7	-	1,260	1	1,261
	11	11	17	-	198	-	198
	4	21	9	441	526	50	576
	85	**161**	**33**	**441**	**1,984**	**51**	**2,035**

Note 12 – Operating Segments – continued
Supervisory operating segments
For the year ended December 31, 2021 (audited)
Reported amounts (NIS in millions)

	Operations in Israel					
	Households				Private banking	Small and micro businesses
	Residential mortgages	Others	Of which: Credit cards	Total		
Interest revenues from externals	6,456	1,184	36	7,640	2	1,415
Interest expenses from externals	1	696	-	697	192	153
Interest revenues, net from externals	6,455	488	36	6,943	(190)	1,262
Interest revenues, net – inter-segment	(4,192)	948	(5)	(3,244)	271	101
Total interest revenues (expenses), net	**2,263**	**1,436**	**31**	**3,699**	**81**	**1,363**
Total non-interest financing revenues	-	1	-	1	-	1
Total commissions and other revenues	143	699	179	842	23	543
Total non-interest revenues	**143**	**700**	**179**	**843**	**23**	**544**
Total revenues	**2,406**	**2,136**	**210**	**4,542**	**104**	**1,907**
Expenses with respect to credit losses	(133)	(55)	-	(188)	(1)	(71)
Operating and other expenses to externals	835	2,247	70	3,082	26	1,164
Operating and other expenses – inter-segment	-	(42)	(4)	(42)	2	(24)
Total operating and other expenses	**835**	**2,205**	**66**	**3,040**	**28**	**1,140**
Pre-tax profit (loss)	1,704	(14)	144	1,690	77	838
Provision for taxes on profit	586	(5)	50	581	26	288
After-tax profit (loss)	**1,118**	**(9)**	**94**	**1,109**	**51**	**550**
Share of banking corporation in earnings of associated companies	-	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	1,118	(9)	94	1,109	51	550
Net profit attributed to non-controlling interests	-	(52)	(5)	(52)	-	(6)
Net profit (loss) attributable to shareholders of the banking corporation	**1,118**	**(61)**	**89**	**1,057**	**51**	**544**
Average balance of assets	165,384	24,262	3,265	189,646	203	30,459
Of which: Investments in associated companies	-	-	-	-	-	-
Average balance of loans to the public	165,384	24,262	3,265	189,646	203	30,459
Balance of loans to the public at end of reported period	175,626	26,184	4,631	201,810	141	30,744
Balance of non-accruing debts	36	84	-	120	4	704
Balance of debt in arrears 90 days or longer	1,264	25	-	1,289	1	26
Average balance of liabilities	-	120,539	3,265	120,539	20,947	47,118
Of which: Average balance of deposits from the public	-	117,274	-	117,274	20,947	47,118
Balance of deposits from the public at end of reported period	-	118,051	-	118,051	21,664	50,247
Average balance of risk assets(1)	96,065	22,835	4,133	118,900	98	27,504
Balance of risk assets at end of reported period(1)	101,946	23,394	4,085	125,340	75	27,368
Average balance of assets under management(2)	8,486	54,158	-	62,644	6,718	38,589
Breakdown of interest revenues, net:						
Margin from credit granting operations	2,152	958	30	3,110	1	1,182
Margin from activities of receiving deposits	-	450	-	450	72	124
Other	111	28	1	139	8	57
Total interest revenues, net	**2,263**	**1,436**	**31**	**3,699**	**81**	**1,363**

(1) Risk assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).
(2) Assets under management – includes customers' provident funds, study funds, mutual funds and securities.

						Operations overseas	Total
	Medium businesses	Large businesses	Institutional investors	Financial management segment	Total activity in Israel	Total – operations overseas	
-							
	382	611	39	248	10,337	220	10,557
	58	187	340	1,238	2,865	7	2,872
	324	424	(301)	(990)	7,472	213	7,685
	13	161	410	2,293	5	(5)	-
	337	**585**	**109**	**1,303**	**7,477**	**208**	**7,685**
	(2)	5	3	385	393	8	401
	114	160	51	467	2,200	34	2,234
	112	**165**	**54**	**852**	**2,593**	**42**	**2,635**
	449	**750**	**163**	**2,155**	**10,070**	**250**	**10,320**
	22	(7)	(32)	(1)	(278)	-	(278)
	220	352	152	503	5,499	69	5,568
	19	27	16	2	-	-	-
	239	**379**	**168**	**505**	**5,499**	**69**	**5,568**
	188	378	27	1,651	4,849	181	5,030
	65	130	9	569	1,668	62	1,730
	123	**248**	**18**	**1,082**	**3,181**	**119**	**3,300**
	-	-	-	(10)	(10)	-	(10)
	123	248	18	1,072	3,171	119	3,290
	-	-	-	(44)	(102)	-	(102)
	123	**248**	**18**	**1,028**	**3,069**	**119**	**3,188**
	8,958	20,838	1,777	103,668	355,549	15,974	371,523
	-	-	-	22	22	-	22
	8,958	20,838	1,777	-	251,881	3,552	255,433
	10,066	23,574	2,960	-	269,295	4,236	273,531
	187	336	-	1	1,352	-	1,352
	-	-	-	-	1,316	-	1,316
	15,525	36,129	53,355	41,790	335,403	15,090	350,493
	15,525	36,129	53,355	-	290,348	4,067	294,415
	15,742	36,669	61,365	-	303,738	4,186	307,924
	11,927	30,618	2,295	11,971	203,313	5,010	208,323
	12,936	33,606	1,429	12,316	213,070	5,640	218,710
	6,410	27,498	368,943	3,380	514,182	-	514,182
-							
	285	490	26	-	5,094	121	5,215
	42	53	62	-	803	8	811
	10	42	21	1,303	1,580	79	1,659
	337	**585**	**109**	**1,303**	**7,477**	**208**	**7,685**

Note 12 – Operating Segments – continued

B. Operating segments in conformity with the management approach

The Bank manages its operations in six major operating segments, which are distinguished by 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 three business centers located throughout Israel. As from 2019, new business customers with annual turnover from NIS 50 million to under NIS 250 million are assigned to the Business sector. Segment customers operating in the real estate sector are served by the Construction and Real Estate sector of the Corporate Division, which specializes in provision of dedicated services to this sector.

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

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

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

Note 12 – Operating Segments – continued
Operating segments in conformity with the management approach
For the six months ended June 30, 2022 (unaudited)
Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues, net:								
From externals	255	4,346	(16)	420	142	579	(1,129)	4,597
Inter-segment	753	(3,318)	37	187	22	123	2,196	-
Total interest revenues, net	**1,008**	**1,028**	**21**	**607**	**164**	**702**	**1,067**	**4,597**
Non-interest financing revenues	40	-	-	2	-	42	209	293
Commissions and other revenues	365	71	10	251	46	186	597	1,526
Total revenues	**1,413**	**1,099**	**31**	**860**	**210**	**930**	**1,873**	**6,416**
Expenses (income) with respect to credit losses	31	52	1	29	28	45	-	186
Operating and other expenses	1,163	428	14	501	144	316	264	2,830
Pre-tax profit	219	619	16	330	38	569	1,609	3,400
Provision for taxes on profit	73	208	5	111	13	191	540	1,141
After-tax profit	**146**	**411**	**11**	**219**	**25**	**378**	**1,069**	**2,259**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	2	2
Net profit (loss):								
Before attribution to non-controlling interests	146	411	11	219	25	378	1,071	2,261
Attributable to non-controlling interests	(32)	-	-	(4)	-	-	(18)	(54)
Net profit attributable to shareholders of the Bank	**114**	**411**	**11**	**215**	**25**	**378**	**1,053**	**2,207**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)(1)	7.9%	8.2%	-	25.7%	16.3%	11.5%	-	20.6%
Average balance of loans to the public, net	32,901	172,968	434	22,286	8,970	43,386	-	280,945
Average balance of deposits from the public	141,484	-	7,103	45,730	14,577	86,760	17,279	312,933
Average balance of assets	34,404	174,155	321	22,588	9,104	54,797	109,832	405,201
Average balance of risk assets(2)	30,245	98,100	110	18,645	10,207	56,734	12,891	226,932

(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 six months ended June 30, 2021 (unaudited)

Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues, net:								
From externals	358	3,005	(14)	449	134	479	(685)	3,726
Inter-segment	546	(2,066)	36	101	8	68	1,307	-
Total interest revenues, net	**904**	**939**	**22**	**550**	**142**	**547**	**622**	**3,726**
Non-interest financing revenues	36	-	1	-	-	25	193	255
Commissions and other revenues	347	74	37	195	38	157	239	1,087
Total revenues	**1,287**	**1,013**	**60**	**745**	**180**	**729**	**1,054**	**5,068**
Expenses with respect to credit losses	(43)	(79)	(4)	(42)	5	(63)	(1)	(227)
Operating and other expenses	1,107	414	21	443	128	318	243	2,674
Pre-tax profit (loss)	223	678	43	344	47	474	812	2,621
Provision (reduced provision) for taxes on profit	76	232	15	118	16	162	279	898
After-tax profit (loss)	**147**	**446**	**28**	**226**	**31**	**312**	**533**	**1,723**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	(11)	(11)
Net profit (loss):								
Before attribution to non-controlling interests	147	446	28	226	31	312	522	1,712
Attributable to non-controlling interests	(23)	-	-	(3)	-	-	(22)	(48)
Net profit (loss) attributable to shareholders of the Bank	**124**	**446**	**28**	**223**	**31**	**312**	**500**	**1,664**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)(1)	10.1%	9.6%	-	22.1%	6.8%	12.7%	-	17.0%
Average balance of loans to the public, net	31,435	152,538	416	22,392	7,420	33,088	-	247,289
Average balance of deposits from the public	133,814	-	8,079	41,126	13,371	75,896	19,892	292,178
Average balance of assets	32,467	153,483	870	22,765	7,577	46,495	103,828	367,485
Average balance of risk assets(2)	27,575	88,400	328	19,387	8,629	46,808	12,606	203,733

(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 June 30, 2022 (audited)

Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues, net:								
From externals	99	2,428	(11)	198	72	293	(626)	2,453
Inter-segment	446	(1,917)	20	121	16	93	1,221	-
Total interest revenues (expenses), net	**545**	**511**	**9**	**319**	**88**	**386**	**595**	**2,453**
Non-interest financing revenues	19	-	-	2	-	31	124	176
Commissions and other revenues	177	34	5	127	25	102	104	574
Total revenues	**741**	**545**	**14**	**448**	**113**	**519**	**823**	**3,203**
Expenses (income) with respect to credit losses	17	38	1	9	27	15	-	107
Operating and other expenses	593	212	8	259	76	161	133	1,442
Pre-tax profit (loss)	131	295	5	180	10	343	690	1,654
Provision (reduced provision) for taxes on profit	45	102	2	62	3	119	239	572
After-tax profit (loss)	**86**	**193**	**3**	**118**	**7**	**224**	**451**	**1,082**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	1	1
Net profit (loss):								
Before attribution to non-controlling interests	86	193	3	118	7	224	452	1,083
Attributable to non-controlling interests	(20)	-	-	(2)	-	-	(8)	(30)
Net profit (loss) attributable to shareholders of the Bank	**66**	**193**	**3**	**116**	**7**	**224**	**444**	**1,053**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)[1]	7.4%	7.4%	-	33.3%	20.4%	11.8%	-	19.4%

(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 June 30, 2021 (audited)

Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues, net:								
From externals	160	1,882	(10)	218	64	219	(498)	2,035
Inter-segment	296	(1,405)	19	59	8	58	965	-
Total interest revenues (expenses), net	**456**	**477**	**9**	**277**	**72**	**277**	**467**	**2,035**
Non-interest financing revenues	20	-	1	-	-	14	31	66
Commissions and other revenues	166	36	19	107	18	79	119	544
Total revenues	**642**	**513**	**29**	**384**	**90**	**370**	**617**	**2,645**
Expenses (income) with respect to credit losses	(33)	(56)	-	(63)	1	(88)	(1)	(240)
Operating and other expenses	562	212	6	223	64	158	108	1,333
Pre-tax profit	113	357	23	224	25	300	510	1,552
Provision for taxes on profit	39	124	8	78	9	104	178	540
After-tax profit	**74**	**233**	**15**	**146**	**16**	**196**	**332**	**1,012**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	1	1
Net profit:								
Before attribution to non-controlling interests	74	233	15	146	16	196	333	1,013
Attributable to non-controlling interests	(12)	-	-	(1)	-	-	(12)	(25)
Net profit attributable to shareholders of the Bank	**62**	**233**	**15**	**145**	**16**	**196**	**321**	**988**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)(1)	10.1%	9.9%	-	28.7%	7.1%	15.8%	-	19.8%

(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, 2021 (audited)

Reported amounts (NIS in millions)

	Households – other	Households – mortgages	Private banking	Small businesses	Commercial banking	Business banking	Financial management	Total consolidated
Interest revenues, net:								
From externals	747	5,952	(30)	923	273	990	(1,170)	7,685
Inter-segment	1,078	(4,029)	74	202	15	114	2,546	-
Total interest revenues, net	**1,825**	**1,923**	**44**	**1,125**	**288**	**1,104**	**1,376**	**7,685**
Non-interest financing revenues	79	1	1	3	(1)	57	261	401
Commissions and other revenues	723	147	23	454	86	318	483	2,234
Total revenues	**2,627**	**2,071**	**68**	**1,582**	**373**	**1,479**	**2,120**	**10,320**
Expenses with respect to credit losses	(76)	(130)	(5)	(93)	24	11	(9)	(278)
Operating and other expenses	2,283	801	31	988	283	658	524	5,568
Pre-tax profit (loss)	420	1,400	42	687	66	810	1,605	5,030
Provision (reduced provision) for taxes on profit	144	482	14	236	23	279	552	1,730
After-tax profit (loss)	**276**	**918**	**28**	**451**	**43**	**531**	**1,053**	**3,300**
Share in net profit of associated companies, after tax	-	-	-	-	-	-	(10)	(10)
Net profit (loss):								
Before attribution to non-controlling interests	276	918	24	451	43	535	1,043	3,290
Attributable to non-controlling interests	(52)	-	-	(6)	-	-	(44)	(102)
Net profit (loss) attributable to shareholders of the Bank	**224**	**918**	**24**	**445**	**43**	**535**	**999**	**3,188**
Return on equity (percentage of net profit attributed to shareholders of the banking corporation out of average equity)(1)	9.4%	10.0%	-	23.3%	4.8%	10.9%	-	15.8%
Average balance of loans to the public, net	31,808	157,145	421	22,668	7,631	33,509	-	253,182
Average balance of deposits from the public	135,541	-	7,645	42,268	13,515	79,845	15,601	294,415
Average balance of assets	32,038	156,125	505	22,771	7,652	45,748	106,684	371,523
Average balance of risk assets(2)	28,278	90,985	238	19,220	8,896	48,462	12,244	208,323

(1) Calculated in conformity with capital attributed to this segment based on risk components attributed to it in conformity with provisions of Basel III.
(2) Risk weighted assets – as calculated for capital adequacy (Proper Conduct of Banking Business Directive 201).

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

Reported amounts (NIS in millions)

A. Debts[1], bonds held to maturity and bonds available for sale and off-balance sheet credit instruments

1. Movement in balance of provision for credit losses

	For the three months ended June 30, 2022 (unaudited)					
	Provision for credit losses					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds held to maturity and available for sale	Total
Balance of provision for credit losses at start of period	1,590	787	376	2,753	1	2,754
Expenses with respect to credit losses	65	38	4	107	-	107
Accounting write-offs	(55)	-	(38)	(93)	-	(93)
Collection of debts written off for accounting purposes in previous years	25	-	22	47	-	47
Net accounting write-offs	(30)	-	(16)	(46)	-	(46)
Other[3]	14	-	26	40	-	40
Balance of provision for credit losses at end of period	**1,639**	**825**	**390**	**2,854**	**1**	**2,855**
Of which: With respect to off balance sheet credit instruments	**191**	**12**	**13**	**216**	**-**	**216**
	For the three months ended June 30, 2021 (unaudited)					
Balance of provision for credit losses at start of period	1,413	918	316	2,647	3	2,650
Expenses (income) with respect to credit losses	(156)	(59)	(25)	(240)	-	(240)
Accounting write-offs	(79)	(2)	(31)	(112)	-	(112)
Collection of debts written off for accounting purposes in previous years	77	1	23	101	-	101
Net accounting write-offs	(2)	(1)	(8)	(11)	-	(11)
Other[3]	16	1	3	20	-	20
Balance of provision for credit losses at end of period	**1,271**	**859**	**286**	**2,416**	**3**	**2,419**
Of which: With respect to off balance sheet credit instruments	**192**	**-**	**19**	**211**	**-**	**211**
	For the six months ended June 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]	328	(32)	96	392	-	392
Expenses with respect to credit losses	102	52	32	186	-	186
Accounting write-offs[2]	(93)	-	(73)	(166)	-	(166)
Collection of debts written off for accounting purposes in previous years[2]	55	-	45	100	-	100
Net accounting write-offs	(38)	-	(28)	(66)	-	(66)
Other[3]	(9)	1	36	28	-	28
Balance of provision for credit losses at end of period	**1,639**	**825**	**390**	**2,854**	**1**	**2,855**
Of which: With respect to off balance sheet credit instruments	**191**	**12**	**13**	**216**	**-**	**216**
	For the six months ended June 30, 2021 (unaudited)					
Balance of provision for credit losses at start of period	1,383	942	340	2,665	2	2,667
Expenses (income) with respect to credit losses	(111)	(82)	(35)	(228)	1	(227)
Accounting write-offs	(120)	(3)	(73)	(196)	-	(196)
Collection of debts written off for accounting purposes in previous years	100	1	47	148	-	148
Net accounting write-offs	(20)	(2)	(26)	(48)	-	(48)
Other[3]	19	1	7	27	-	27
Balance of provision for credit losses at end of period	**1,271**	**859**	**286**	**2,416**	**3**	**2,419**
Of which: With respect to off balance sheet credit instruments	**192**	**-**	**19**	**211**	**-**	**211**

(1) Loans to the public, loans to governments, deposits with banks and other debts, except for bonds and securities borrowed or acquired in conjunction with resale agreements, except for deposits with Bank of Israel.
(2) Including with respect to residential mortgages of insignificant amount.
(3) Movement in provision for credit losses in subsidiary, primarily attributed to cost of acquisition upon initial consolidation, and is therefore not included on the consolidated balance sheet.

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

Reported amounts (NIS in millions)

A. Debts[1], bonds held to maturity and bonds available for sale and off-balance sheet credit instruments

2. Additional information about calculation of the provision for credit losses with respect to debts, and debts for which the provision has been calculated

	June 30, 2022 (unaudited)					
	Loans to the public					
	Commercial	Housing	Individual – other	Total	Banks, governments and bonds held to maturity and available for sale	Total
Recorded debt balance[1], bonds held to maturity and bonds available for sale						
reviewed on individual basis	71,965	-	419	72,384	27,952	100,336
reviewed on group basis	12,774	190,323	25,390	228,487	-	228,487
Total debts	**84,739**	[2]**190,323**	**25,809**	**300,871**	**27,952**	**328,823**
Provision for credit losses with respect to debts[1], bonds held to maturity and bonds available for sale						
reviewed on individual basis	1,075	-	10	1,085	1	1,086
reviewed on group basis	373	813	367	1,553	-	1,553
Total provision for credit losses	**1,448**	**813**	**377**	**2,638**	**1**	**2,639**
	June 30, 2021 (unaudited)					
Recorded debt balance[1], bonds held to maturity and bonds available for sale						
reviewed on individual basis	58,116	62	575	58,753	22,552	81,305
reviewed on group basis	9,606	164,477	23,605	197,688	-	197,688
Total debts	**67,722**	[2]**164,539**	**24,180**	**256,441**	**22,552**	**278,993**
Provision for credit losses with respect to debts[1], bonds held to maturity and bonds available for sale						
reviewed on individual basis	957	1	26	984	3	987
reviewed on group basis	122	858	241	1,221	-	1,221
Total provision for credit losses	**1,079**	**859**	**267**	**2,205**	**3**	**2,208**
	As of December 31, 2021 (audited)					
Recorded debt balance[1], bonds held to maturity and bonds available for sale						
reviewed on individual basis	63,761	36	564	64,361	23,888	88,249
reviewed on group basis	9,162	175,722	24,286	209,170	-	209,170
Total debts	**72,923**	[2]**175,758**	**24,850**	**273,531**	**23,888**	**297,419**
Provision for credit losses with respect to debts[1], bonds held to maturity and bonds available for sale						
reviewed on individual basis	959	1	21	981	1	982
reviewed on group basis	102	803	217	1,122	-	1,122
Total provision for credit losses	**1,061**	**804**	**238**	**2,103**	**1**	**2,104**

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

(2) Includes general-purpose loans secured by a lien on a residential apartment, amounting to NIS 12,306 million (as of June 30, 2022: NIS 9,927 million and as of December 31, 2021: NIS 11,145 million).

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

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears

	As of June 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]	23,664	96	147	23,907	60	27
Construction and real estate – real estate operations	6,751	32	65	6,848	15	17
Financial services	10,119	21	8	10,148	-	10
Commercial – other	38,068	501	927	39,496	33	134
Total commercial	**78,602**	**650**	**1,147**	**80,399**	**108**	**188**
Private individuals – residential mortgages	186,715	1,286	2,161	190,162	-	590
Private individuals – other	25,563	142	73	25,778	35	59
Total loans to the public – activity in Israel	**290,880**	**2,078**	**3,381**	**296,339**	**143**	**837**
Borrower activity overseas						
Public – commercial						
Construction and real estate	2,451	-	-	2,451	-	-
Commercial – other	1,765	35	89	1,889	-	-
Total commercial	**4,216**	**35**	**89**	**4,340**	**-**	**-**
Private individuals	192	-	-	192	-	-
Total loans to the public – activity overseas	**4,408**	**35**	**89**	**4,532**	**-**	**-**
Total loans to the public	**295,288**	**2,113**	**3,470**	**300,871**	**143**	**837**

(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 174 million were classified as problematic debts.
(4) Includes debts amounting to NIS 1,365 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 June 30, 2021 (unaudited) [5]					
		Problematic[1]			Accruing debts – additional information	
	In good standing	Accruing	Non-accruing	Total	In arrears 90 days or longer[2]	In arrears 30 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction[4]	16,473	93	168	16,734	5	31
Construction and real estate – real estate operations	6,146	29	99	6,274	1	22
Financial services	8,532	40	6	8,578	-	2
Commercial – other	31,898	491	899	33,288	19	115
Total commercial	**63,049**	**653**	**1,172**	**64,874**	**25**	**170**
Private individuals – residential mortgages	162,963	1,402	-	164,365	1,390	640
Private individuals – other	23,986	132	48	24,166	19	45
Total loans to the public – activity in Israel	**249,998**	**2,187**	**1,220**	**253,405**	**1,434**	**855**
Borrower activity overseas						
Public – commercial						
Construction and real estate	2,042	-	-	2,042	-	-
Commercial – other	777	-	29	806	-	-
Total commercial	**2,819**		**29**	**2,848**	**-**	**-**
Private individuals	188	-	-	188	-	-
Total loans to the public – activity overseas	**3,007**		**29**	**3,036**	**-**	**-**
Total loans to the public	**253,005**	**2,187**	**1,249**	**256,441**	**1,434**	**855**

(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 83 million were classified as problematic debts.
(4) Includes debts amounting to NIS 2,202 million, extended to certain purchase groups which are in the process of construction.
(5) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

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

Reported amounts (NIS in millions)

B. Loans to the public

1.a. Credit quality and arrears – continued

	As of December 31, 2021 (audited) [5]					
		Problematic[1]			Accruing debts – additional information	
	In good standing	Accruing	Non-accruing	Total	In arrears 90 days or longer[2]	In arrears 30 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction[4]	19,580	124	177	19,881	9	23
Construction and real estate – real estate operations	6,116	28	84	6,228	1	9
Financial services	8,101	35	7	8,143	-	1
Commercial – other	34,101	513	919	35,533	16	108
Total commercial	**67,898**	**700**	**1,187**	**69,785**	**26**	**141**
Private individuals – residential mortgages	174,299	1,300	-	175,599	1,300	519
Private individuals – other	24,649	137	56	24,842	26	79
Total public – activity in Israel	**266,846**	**2,137**	**1,243**	**270,226**	**1,352**	**739**
Borrower activity overseas						
Public – commercial						
Construction and real estate	2,196	1	-	2,197	-	-
Commercial – other	902	33	6	941	-	-
Total commercial	**3,098**	**34**	**6**	**3,138**	**-**	**-**
Private individuals	167	-	-	167	-	-
Total public – activity overseas	**3,265**	**34**	**6**	**3,305**	**-**	**-**
Total public	**270,111**	**2,171**	**1,249**	**273,531**	**1,352**	**739**

(1) Loans to the public – non-accruing, inferior or under special supervision
(2) Classified as problematic debts accruing interest revenues.
(3) Accruing interest revenues. Debts in arrears 30 to 89 days amounting to NIS 49 million were classified as problematic debts.
(4) Includes debts amounting to NIS 1,699 million, extended to certain purchase groups which are in the process of construction.
(5) Re-classified in conformity with new disclosure format for non-accruing debts, in lieu of disclosure for impaired debts.

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

Reported amounts (NIS in millions)

B. Loans to the public

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

	As of June 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	**12,553**	**10,104**	**2,669**	**989**	**752**	**858**	**2,461**	**369**	**30,755**
Credit at performing credit rating	12,409	9,823	2,527	902	619	790	2,269	365	29,704
Credit other than at performing credit rating and non-problematic	109	240	103	60	120	34	41	4	711
Accruing problematic credit	22	12	26	7	3	6	52	-	128
Non-accruing credit	13	29	13	20	10	28	99	-	212
Commercial, other – total	**10,263**	**8,047**	**6,477**	**2,141**	**1,502**	**2,058**	**18,870**	**286**	**49,644**
Credit at performing credit rating	9,705	7,564	6,130	2,009	1,421	1,919	18,192	261	47,201
Credit other than at performing credit rating and non-problematic	139	283	138	22	23	32	342	7	986
Accruing problematic credit	78	50	120	43	14	11	195	11	522
Non-accruing credit	341	150	89	67	44	96	141	7	935
Individuals – residential mortgages – total	**18,934**	**29,010**	**24,700**	**19,259**	**21,459**	**76,800**	**-**	**-**	**190,162**
LTV up to 60%	9,694	15,876	13,718	12,970	13,430	54,554	-	-	120,242
LTV from 60% to 75%	9,091	13,026	10,828	6,210	7,656	20,612	-	-	67,423
LTV over 75%	149	108	154	79	373	1,634	-	-	2,497
Credit at performing credit rating, not in arrears	18,658	28,567	24,290	18,905	21,016	74,705	-	-	186,141
Credit not at performing credit rating, not in arrears	258	257	142	73	88	452	-	-	1,270
In arrears 30-89 days	13	83	80	46	65	303	-	-	590
Non-accruing credit	5	103	188	235	290	1,340	-	-	2,161
Individuals, other – total	**5,181**	**5,852**	**2,967**	**2,330**	**1,348**	**1,461**	**6,573**	**66**	**25,778**
Credit at performing credit rating, not in arrears	5,133	5,760	2,899	2,264	1,299	1,395	6,461	63	25,274
Credit at performing credit rating, not in arrears	32	64	46	51	43	61	38	2	337
In arrears 30-89 days	2	9	5	4	3	3	33	-	59
In arrears over 90 days	-	6	5	2	1	-	21	-	35
Non-accruing credit	14	13	12	9	2	2	20	1	73
Total loans to the public – activity in Israel	**46,931**	**53,013**	**36,813**	**24,719**	**25,061**	**81,177**	**27,904**	**721**	**296,339**
Borrower activity overseas									
Total loans to the public – activity overseas	**1,729**	**670**	**783**	**587**	**379**	**384**	**-**	**-**	**4,532**
Non-problematic credit	1,729	621	741	554	379	384	-	-	4,408
Accruing problematic credit	-	17	18	-	-	-	-	-	35
Non-accruing credit	-	32	24	33	-	-	-	-	89
Total loans to the public	**48,660**	**53,683**	**37,596**	**25,306**	**25,440**	**81,561**	**27,904**	**721**	**300,871**

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 June 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	206	28	6	212	306	6
Commercial – other	868	252	67	935	1,330	5
Total commercial	**1,074**	**280**	**73**	**1,147**	**1,636**	**11**
Private individuals – residential mortgages	2,124	106	37	2,161	1,779	-
Private individuals – other	67	41	6	73	85	6
Total loans to the public – activity in Israel	**3,265**	**427**	**116**	**3,381**	**3,500**	**17**
Borrower activity overseas						
Total loans to the public – activity overseas	**89**	**12**	**-**	**89**	**33**	**-**
Total	**3,354**	**439**	**116**	**3,470**	**3,533**	**17**
Of which:						
Measured individually at present value of cash flows	1,076	282	44	1,120	1,607	
Measured individually at fair value of collateral	82	4	29	111	140	
Measured on group basis	2,196	153	43	2,239	1,786	

(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 79 million.
Total average recorded debt balance for non-accruing debt in the six months ended June 30, 2022 amounted to NIS 2,666 million.

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

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts[1]

	As of June 30, 2021 (unaudited) [4]					
	Balance of non-accruing debts for which a provision has been recognized[1][2]	Provision balance	Balance of non-accruing debts for which a provision has not been recognized[1]	Total balance of non-accruing debts[1]	Contractual principal balance of non-accruing debts	Interest revenues recognized[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate	234	24	33	267	364	-
Commercial – other	731	260	174	905	1,404	3
Total commercial	**965**	**284**	**207**	**1,172**	**1,768**	**3**
Private individuals – residential mortgages	-	-	-	-	-	-
Private individuals – other	37	21	11	48	77	1
Total loans to the public – activity in Israel	**1,002**	**305**	**218**	**1,220**	**1,845**	**4**
Borrower activity overseas						
Total loans to the public – activity overseas	**29**	**22**	**-**	**29**	**66**	**-**
Total	**1,031**	**327**	**218**	**1,249**	**1,911**	**4**
Of which:						
Measured individually at present value of cash flows	880	320	169	1,049	1,749	
Measured individually at fair value of collateral	136	-	49	185	162	
Measured on group basis	15	7	-	15	-	

(1) Recorded debt balance.
(2) Debt balance net of accounting write-off, if made.
(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.
(4) Re-classified in conformity with new disclosure format.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 79 million.

Total average recorded debt balance for non-accruing debt in the six months ended June 30, 2022 amounted to NIS 2,666 million.

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

Reported amounts (NIS in millions)

B. Loans to the public

2.A. Additional information about non-accruing debts(1)

	As of December 31, 2021 (audited) (4)					
	Balance of non-accruing debts for which a provision has been recognized(1)(2)	Provision balance	Balance of non-accruing debts for which a provision has not been recognized(1)	Total balance of non-accruing debts(1)	Contractual principal balance of non-accruing debts	Interest revenues recognized(3)
Borrower activity in Israel						
Public – commercial						
Construction and real estate	221	19	40	261	367	2
Commercial – other	789	282	137	926	1,145	11
Total commercial	**1,010**	**301**	**177**	**1,187**	**1,512**	**13**
Private individuals – residential mortgages	-	-	-	-	-	-
Private individuals – other	36	17	20	56	105	3
Total loans to the public – activity in Israel	**1,046**	**318**	**197**	**1,243**	**1,617**	**16**
Borrower activity overseas						
Total loans to the public – activity overseas	**6**	**1**	**-**	**6**	**1**	**-**
Total	**1,052**	**319**	**197**	**1,249**	**1,618**	**16**
Of which:						
Measured individually at present value of cash flows	929	312	140	1,069	1,461	
Measured individually at fair value of collateral	111	-	57	168	157	
Measured on group basis	12	7	-	12	-	

(1) Recorded debt balance.
(2) Debt balance net of accounting write-off, if made.
(3) Interest revenues recognized in the reported period, with respect to average balance of non-accruing debt in the period when the debt was classified as non-accruing.
(4) Re-classified in conformity with new disclosure format.

Had the non-accruing debt accrued interest in conformity with the original terms and conditions, the Bank would have recognized interest revenues amounting to NIS 79 million.

Total average recorded debt balance for non-accruing debt in the six months ended June 30, 2022 amounted to NIS 2,666 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

	June 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	42	-	-	8	50
Commercial – other	150	-	-	11	161
Total commercial	**192**	**-**	**-**	**19**	**211**
Private individuals – residential mortgages[2]	1,687	-	-	-	1,687
Private individuals – other	41	-	-	32	73
Total loans to the public – activity in Israel	**1,920**	**-**	**-**	**51**	**1,971**
Borrower activity overseas					
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total	**1,920**	**-**	**-**	**51**	**1,971**

	June 30, 2021 (unaudited) [3]				
Borrower activity in Israel					
Public – commercial					
Construction and real estate	56	-	-	1	57
Commercial – other	263	-	-	37	300
Total commercial	**319**	**-**	**-**	**38**	**357**
Private individuals – residential mortgages	-	-	-	-	-
Private individuals – other	27	-	1	37	65
.	**346**	**-**	**1**	**75**	**422**
Borrower activity overseas					0
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total	**346**	**-**	**1**	**75**	**422**

(1) Accruing interest revenues.
(2) Initially presented due to application of new rules on identification of re-structuring of problematic debts for residential mortgages.
(3) Re-classified in conformity with new disclosure format.

As of June 30, 2022, debt subject to re-structuring of problematic debt, amounting to NIS 1,971 million, was classified as problematic debt. As of June 30, 2021 – amounting to NIS 422 million.

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

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Additional information about debt subject to re-structuring of problematic debt – continued

	December 31, 2021 (audited)[(2)]				
	Recorded debt balance				
	Not accruing interest revenues	Accruing[(1)] in arrears 90 days or longer	Accruing[(1)] in arrears 30 to 89 days	Accruing[(1)] not in arrears	Total
Borrower activity in Israel					
Public – commercial					
Construction and real estate	52	-	-	12	64
Commercial – other	315	-	-	31	346
Total commercial	**367**	**-**	**-**	**43**	**410**
Private individuals – residential mortgages	-	-	-	-	-
Private individuals – other	31	-	1	34	66
Total loans to the public – activity in Israel	**398**	**-**	**1**	**77**	**476**
Borrower activity overseas					
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**
Total	**398**	**-**	**1**	**77**	**476**

(1) Accruing interest revenues.
(2) Re-classified in conformity with new disclosure format.

As of December 31, 2021, debt subject to re-structuring of problematic debt, amounting to NIS 476 million, was classified as problematic debt.

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

Reported amounts (NIS in millions)

B. Loans to the public

2.B. Additional information about debt subject to re-structuring of problematic debt – continued

	Restructurings made					
	For the three months ended					
	June 30, 2022 (unaudited)			June 30, 2021 (unaudited)		
	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
Borrower activity in Israel						
Public – commercial						
Construction and real estate	15	5	5	23	9	9
Commercial – other	53	64	64	74	92	93
Total commercial	**68**	**69**	**69**	**97**	**101**	**102**
Private individuals – residential mortgages	740	197	197	-	-	-
Private individuals – other	290	13	13	253	6	5
Total loans to the public – activity in Israel	**1,089**	**279**	**279**	**350**	**107**	**107**
Borrower activity overseas						
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,098**	**279**	**279**	**350**	**107**	**107**

	For the six months ended					
	June 30, 2022 (unaudited)			June 30, 2021 (unaudited)		
	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
Borrower activity in Israel						
Public – commercial						
Construction and real estate	31	7	7	35	12	12
Commercial – other	153	69	67	157	101	101
Total commercial	**184**	**76**	**74**	**192**	**113**	**113**
Private individuals – residential mortgages	1,241	363	363	-	-	-
Private individuals – other	530	21	21	510	13	12
Total loans to the public – activity in Israel	**1,955**	**460**	**458**	**702**	**126**	**125**
Borrower activity overseas						
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,955**	**460**	**458**	**702**	**126**	**125**

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			
	June 30, 2022 (unaudited)		June 30, 2021 (unaudited)	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate	5	-	8	-
Commercial – other	16	-	14	-
Total commercial	**21**		**22**	
Private individuals – residential mortgages	615	229	-	-
Private individuals – other	91	4	88	1
Total public – activity in Israel	**727**	**233**	**110**	**1**
Borrower activity overseas				
Total public – activity overseas	**-**	**-**	**-**	**-**
Total	**727**	**233**	**110**	**1**

	For the six months ended			
	June 30, 2022 (unaudited)		June 30, 2021 (unaudited)	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate	12	-	11	-
Commercial – other	51	5	41	2
Total commercial	**63**	**5**	**52**	**2**
Private individuals – residential mortgages	1,393	450	-	-
Private individuals – other	187	4	205	2
Total loans to the public – activity in Israel	**1,643**	**459**	**257**	**4**
Borrower activity overseas				
Total loans to the public – activity overseas	**-**	**-**	**-**	**-**
Total	**1,643**	**459**	**257**	**4**

(1) Debts which became, in the reported period, debts in arrears of 30 days or longer, which were restructured under problematic debt restructuring in the 12 months prior to the date on which they became debts in arrears.

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

Reported amounts (NIS in millions)

B. Loans to the public

2.C. Additional information about non-accruing credit in arrears

	Not in arrears 90 days or longer	In arrears 90 to 180 days	In arrears 180 days to 1 year	In arrears over 1 year to 3 years	In arrears over 3 years to 5 years	In arrears over 5 years to 7 years	In arrears over 7 years	Total
								As of June 30, 2022 (unaudited)
Commercial	746	94	143	154	58	31	10	1,236
Residential mortgages	1,000	596	306	171	43	15	30	2,161
Private individuals – other	36	3	13	13	7	1	-	73
Total	**1,782**	**693**	**462**	**338**	**108**	**47**	**40**	**3,470**
								As of June 30, 2021 (unaudited)
Commercial	721	57	84	238	55	26	20	1,201
Residential mortgages	-	-	-	-	-	-	-	-
Private individuals – other	33	3	2	9	1	-	-	48
Total	**754**	**60**	**86**	**247**	**56**	**26**	**20**	**1,249**
								As of December 31, 2021 (audited)
Commercial	608	114	101	265	60	25	20	1,193
Residential mortgages	-	-	-	-	-	-	-	-
Private individuals – other	44	2	2	6	2	-	-	56
Total	**652**	**116**	**103**	**271**	**62**	**25**	**20**	**1,249**

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

Reported amounts (NIS in millions)

B. loans to the public

3. Additional information about residential mortgages

Below is the composition of balances by loan-to-value ratio (LTV)[(1)], repayment type and interest type:

		June 30, 2022 (unaudited)			
		Balance of residential mortgages			Off-balance sheet credit risk
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	120,098	3,454	76,146	3,975
	Over 60%	69,839	807	43,714	4,322
Junior lien or no lien		386	4	272	10,102
Total		**190,323**	**4,265**	**120,132**	**18,399**

		June 30, 2021 (unaudited)			
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	107,727	3,234	68,221	3,952
	Over 60%	56,505	769	35,507	3,902
Junior lien or no lien		307	2	216	12,434
Total		**164,539**	**4,005**	**103,944**	**20,288**

		As of December 31, 2021 (audited)			
		Total	Of which: Bullet / balloon	Of which: Variable interest	Total
Senior lien: LTV	Up to 60%	112,939	3,315	71,720	3,798
	Over 60%	62,491	767	39,313	3,859
Junior lien or no lien		328	2	232	12,112
Total		**175,758**	**4,084**	**111,265**	**19,769**

(1) Ratio of approved facility upon extending the facility to the property value, as approved by the Bank upon extending the facility.

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

Reported amounts (NIS in millions)

B. Information about purchase and sale of debts

	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 June 30, 2022 - Unaudited							
Commercial – other	3	50	-	-	-	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,106	-	-	-
Private individuals – other	-	-	-	-	-	457	-	-
Total credit risk to public	**3**	**50**	**-**	**-**	**4,106**	**457**	**-**	**-**
	For the three months ended June 30, 2021 - Unaudited							
Commercial – other	-	-	-	-	169	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,776	-	-	-
Private individuals – other	-	-	-	-	-	458	-	-
Total credit risk to public	**-**	**-**	**-**	**-**	**4,945**	**458**	**-**	**-**
	For the six months ended June 30, 2022 - Unaudited							
Commercial – other	3	50	-	-	-	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,106	-	-	-
Private individuals – other	-	-	-	-	-	1,039	-	-
Total credit risk to public	**3**	**50**	**-**	**-**	**4,106**	**1,039**	**-**	**-**
	For the six months ended June 30, 2021 - Unaudited							
Commercial – other	-	-	-	-	169	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,776	-	-	-
Private individuals – other	-	-	-	-	-	854	-	-
Total credit risk to public	**-**	**-**	**-**	**-**	**4,945**	**854**	**-**	**-**
	For the year ended December 31, 2021 - Audited							
Commercial – other	234	-	-	-	-	-	-	-
Private individuals – residential mortgages	-	-	-	-	4,998	-	-	-
Private individuals – other	-	-	-	-	-	1,778	-	-
Total credit risk to public	**234**	**-**	**-**	**-**	**4,998**	**1,778**	**-**	**-**

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

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

Reported amounts (NIS in millions)

C. Information about purchase and sale of debts

	Syndication transactions initiated by the banking corporation				Syndication transactions initiated by others	
	Share of the banking corporation		Others' share		Share of the banking corporation	
	Loans to the public	Off balance sheet credit risk(1)	Loans to the public	Off balance sheet credit risk(1)	Loans to the public(2)	Off balance sheet credit risk(1)
						June 30, 2022 - Unaudited
Construction and real estate	1,620	1	1,860	-	554	362
Commercial – other	2,139	977	5,878	1,015	1,229	1,272
Total credit risk to public	**3,759**	**978**	**7,738**	**1,015**	**1,783**	**1,634**
						June 30, 2021 - Unaudited
Construction and real estate	5	-	149	-	-	-
Commercial – other	2,267	734	6,143	1,152	876	85
Total credit risk to public	**2,272**	**734**	**6,292**	**1,152**	**876**	**85**
						December 31, 2021 - Audited
Construction and real estate(3)	964	2	1,348	29	72	136
Commercial – other	2,103	935	5,767	1,190	824	466
Total credit risk to public	**3,067**	**937**	**7,115**	**1,219**	**896**	**602**

(1) Credit risk of off-balance-sheet financial instruments as calculated for the purpose of borrower indebtedness, except for derivatives.

(2) Excludes syndication transactions initiated by others to extend credit to foreign governments, amounting to NIS 316 million as of June 30, 2022 (as of June 30, 2021: NIS 458 million; as of December 31, 2021: NIS 308 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

		June 30	December 31		June 30	December 31
	2022	2021	2021	2022	2021	2021
			Balance(1)	Provision for credit losses		
	(Unaudited)		(Audited)	(Unaudited)		(Audited)
Transactions in which the balance represents a credit risk:						
- Un-utilized debitory account and other credit facilities in accounts available on demand	20,897	19,660	21,168	25	37	39
- Guarantees to home buyers	19,585	13,197	16,582	15	7	8
- Irrevocable commitments for loans approved but not yet granted(3)	30,373	35,283	32,963	26	43	46
- Unutilized revolving credit card facilities	11,259	10,445	10,643	13	11	9
- Commitments to issue guarantees	9,010	10,949	9,351	1	4	3
- Guarantees and other liabilities(2)	12,164	10,291	10,571	89	65	65
- Loan guarantees	3,202	3,226	3,321	45	42	38
- Documentary credit	367	341	430	2	2	3

(1) Contractual balances or their stated amounts at the end of the period, before effect of provision for credit losses.

(2) Includes the Bank's liabilities for its share in the risks fund of the MAOF Clearinghouse of NIS 68 million. (On June 30, 2021 and on December 31, 2021: NIS 70 million and NIS 85 million, respectively).

(3) Includes effect of extension of approval in principle for residential mortgages, from 12 to 24 days, pursuant to update to Proper Conduct of Banking Business Directive 451 regarding "Procedures for extending residential mortgages".

Note 14 – Assets and Liabilities by Linkage Basis

As of June 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	72,648	-	8,024	476	182	-	81,330
Securities	8,120	2,202	10,978	372	-	712	22,384
Securities borrowed or bought in conjunction with resale agreements	1,810	314	-	-	-	-	2,124
Loans to the public, net[3]	210,749	72,921	8,867	3,658	2,038	-	298,233
Loans to Governments	79	-	259	126	-	-	464
Investments in associated companies	35	-	-	-	-	74	109
Buildings and equipment	-	-	-	-	-	1,421	1,421
Intangible assets and goodwill	-	-	-	-	-	193	193
Assets with respect to derivatives	1,308	112	5,216	407	37	-	7,080
Other assets	2,183	230	327	13	59	819	3,631
Total assets	**296,932**	**75,779**	**33,671**	**5,052**	**2,316**	**3,219**	**416,969**
Liabilities							
Deposits from the public	244,484	23,300	51,671	5,902	2,527	-	327,884
Deposits from banks	5,622	-	2,642	242	9	-	8,515
Deposits from the Government	40	2	15	-	-	-	57
Bonds and subordinated notes	4,787	28,271	2,115	-	-	-	35,173
Liabilities with respect to derivatives	1,229	196	4,558	258	23	-	6,264
Other liabilities	11,282	3,207	220	2	28	1,154	15,893
Total liabilities	**267,444**	**54,976**	**61,221**	**6,404**	**2,587**	**1,154**	**393,786**
Difference	**29,488**	**20,803**	**(27,550)**	**(1,352)**	**(271)**	**2,065**	**23,183**
Impact of hedging derivatives:							
Derivative instruments (other than options)	1,744	(1,744)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(27,210)	(817)	26,833	1,034	160	-	-
Net in-the-money options (in terms of underlying asset)	(856)	-	575	317	(36)	-	-
Net out-of-the-money options (in terms of underlying asset)	(233)	-	263	(25)	(5)	-	-
Grand total	**2,933**	**18,242**	**121**	**(26)**	**(152)**	**2,065**	**23,183**
Net in-the-money options (capitalized par value)	(1,318)	-	1,365	(1)	(46)	-	-
Net out-of-the-money options (capitalized par value)	1,632	-	(1,579)	(103)	50	-	-

(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 June 30, 2021 (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	88,209	-	5,419	596	113	-	94,337
Securities	9,731	1,982	4,714	472	-	640	17,539
Securities borrowed or bought in conjunction with resale agreements	44	143	-	-	-	-	187
Loans to the public, net[3]	175,719	67,405	5,400	3,742	1,826	144	254,236
Loans to Governments	59	-	348	171	-	-	578
Investments in associated companies	36	-	-	-	-	(17)	19
Buildings and equipment	-	-	-	-	-	1,678	1,678
Intangible assets and goodwill	-	-	-	-	-	223	223
Assets with respect to derivatives	1,475	21	673	119	41	97	2,426
Other assets	1,797	522	111	1	27	689	3,147
Total assets	**277,070**	**70,073**	**16,665**	**5,101**	**2,007**	**3,454**	**374,370**
Liabilities							
Deposits from the public	222,075	20,922	42,894	5,852	2,504	144	294,391
Deposits from banks	4,736	-	1,065	115	29	-	5,945
Deposits from the Government	25	2	16	-	-	-	43
Bonds and subordinated notes	7,323	26,301	1,970	-	-	-	35,594
Liabilities with respect to derivatives	1,326	86	691	136	51	122	2,412
Other liabilities	9,948	2,994	130	8	23	1,519	14,622
Total liabilities	**245,433**	**50,305**	**46,766**	**6,111**	**2,607**	**1,785**	**353,007**
Difference	**31,637**	**19,768**	**(30,101)**	**(1,010)**	**(600)**	**1,669**	**21,363**
Impact of hedging derivatives:							
Derivative instruments (other than options)	2,184	(2,184)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(31,128)	(1,040)	30,546	1,058	564	-	-
Net in-the-money options (in terms of underlying asset)	331	-	(445)	170	(56)	-	-
Net out-of-the-money options (in terms of underlying asset)	(218)	-	337	(93)	(26)	-	-
Grand total	**2,806**	**16,544**	**337**	**125**	**(118)**	**1,669**	**21,363**
Net in-the-money options (capitalized par value)	(480)	-	389	132	(41)	-	-
Net out-of-the-money options (capitalized par value)	(720)	-	654	(66)	132	-	-

(1) Includes linked to foreign currency.
(2) Includes derivative instruments whose base relates to a non-monetary item.
(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

Note 14 – Assets and Liabilities by Linkage Basis – continued

As of December 31, 2021 (audited)

Reported amounts (NIS in millions)

	Israeli currency		In foreign currency[1]				
	Non-linked	CPI-linked	USD	EUR	Other currencies	Non-monetary items[2]	Total
Assets							
Cash and deposits with banks	87,091	-	7,471	518	187	-	95,267
Securities	6,728	1,469	5,676	434	-	726	15,033
Securities borrowed or bought in conjunction with resale agreements	1,110	222	-	-	-	-	1,332
Loans to the public, net[3]	190,455	69,534	6,395	3,123	1,921	-	271,428
Loans to Governments	74	-	273	130	-	-	477
Investments in associated companies	35	-	-	-	-	34	69
Buildings and equipment	-	-	-	-	-	1,734	1,734
Intangible assets and goodwill	-	-	-	-	-	208	208
Assets with respect to derivatives	2,910	51	549	111	28	3	3,652
Other assets	1,698	523	172	1	21	656	3,071
Total assets	**290,101**	**71,799**	**20,536**	**4,317**	**2,157**	**3,361**	**392,271**
Liabilities							
Deposits from the public	233,149	21,503	44,961	5,574	2,737	-	307,924
Deposits from banks	5,116	-	1,629	224	23	-	6,992
Deposits from the Government	21	2	58	-	-	-	81
Bonds and subordinated notes	6,989	29,177	1,880	-	-	-	38,046
Liabilities with respect to derivatives	2,977	111	534	104	24	3	3,753
Other liabilities	8,880	3,268	212	6	38	1,342	13,746
Total liabilities	**257,132**	**54,061**	**49,274**	**5,908**	**2,822**	**1,345**	**370,542**
Difference	**32,969**	**17,738**	**(28,738)**	**(1,591)**	**(665)**	**2,016**	**21,729**
Impact of hedging derivatives:							
Derivative instruments (other than options)	2,294	(2,294)	-	-	-	-	-
Non-hedging financial derivatives:							
Derivative instruments (other than options)	(30,482)	(732)	29,070	1,533	611	-	-
Net in-the-money options (in terms of underlying asset)	258	-	(271)	39	(26)	-	-
Net out-of-the-money options (in terms of underlying asset)	(124)	-	104	27	(7)	-	-
Grand total	**4,915**	**14,712**	**165**	**8**	**(87)**	**2,016**	**21,729**
Net in-the-money options (capitalized par value)	(281)	-	132	150	(1)	-	-
Net out-of-the-money options (capitalized par value)	520	-	(403)	(109)	(8)	-	-

(1) Includes linked to foreign currency.

(2) Includes derivative instruments whose base relates to a non-monetary item.

(3) Where the provision for credit losses may not be attributed to any specific linkage basis, such provision was deducted pro-rata from the different linkage bases.

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

Reported amounts (NIS in millions)

1) Information on the fair value of financial instruments is presented below:

A. Fair value balances

	June 30, 2022 (unaudited)				
		Fair value			
	Book balance	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
Financial assets					
Cash and deposits with banks	81,330	16,494	56,527	8,108	81,129
Securities[(3)]	22,384	18,123	3,714	485	22,322
Securities borrowed or purchased in resale agreements	2,124	2,124	-	-	2,124
Loans to the public, net	298,233	2,250	10,466	[(5)]288,166	300,882
Loans to Governments	464	-	-	461	461
Investments in associated companies	109	-	-	109	109
Assets with respect to derivatives	7,080	270	4,741	[(2)]2,069	7,080
Other financial assets	1,261	7	-	1,254	1,261
Total financial assets	**[(4)]412,985**	**39,268**	**75,448**	**300,652**	**415,368**
Financial liabilities					
Deposits from the public	327,884	2,250	120,148	204,125	326,523
Deposits from banks	8,515	-	1,073	7,419	8,492
Deposits from the Government	57	-	-	58	58
Bonds and subordinated notes	35,173	35,331	2	751	36,084
Liabilities with respect to derivatives	6,264	261	4,434	[(2)]1,569	6,264
Other financial liabilities	12,253	4,616	1,918	5,717	12,251
Total financial liabilities	**[(4)]390,146**	**42,458**	**127,575**	**219,639**	**389,672**

(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 96,813 million and NIS 143,558 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 9 million.

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

Reported amounts (NIS in millions)

A. Fair value balances – continued:

	June 30, 2021 (unaudited)				
		Fair value			
	Book balance	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
Financial assets					
Cash and deposits with banks	94,337	14,570	66,968	12,799	94,337
Securities[(3)]	17,539	12,909	4,304	382	17,595
Securities borrowed or purchased in resale agreements	187	187	-	-	187
Loans to the public, net	254,236	2,090	9,406	[(5)]245,421	256,917
Loans to Governments	578	-	-	578	578
Investments in associated companies	19	-	-	19	19
Assets with respect to derivatives	2,426	242	1,145	[(2)]1,039	2,426
Other financial assets	1,188	13	-	1,174	1,187
Total financial assets	**[(4)]370,510**	**30,011**	**81,823**	**261,412**	**373,246**
Financial liabilities					
Deposits from the public	294,391	2,012	95,052	199,726	296,790
Deposits from banks	5,945	-	601	5,344	5,945
Deposits from the Government	43	-	-	47	47
Bonds and subordinated notes	35,594	33,046	5	3,534	36,585
Liabilities with respect to derivatives	2,412	266	1,457	[(2)]689	2,412
Other financial liabilities	11,370	2,403	5,192	3,774	11,369
Total financial liabilities	**[(4)]349,755**	**37,727**	**102,307**	**213,114**	**353,148**

(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 116,942 million and NIS 131,520 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 8 million.

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

Reported amounts (NIS in millions)

A. Fair value balances – continued:

	As of December 31, 2021 (audited)				
		Fair value			
	Book balance	Level 1(1)	Level 2(1)	Level 3(1)	Total
Financial assets					
Cash and deposits with banks	95,267	16,662	71,514	7,093	95,269
Securities(3)	15,033	10,553	4,117	424	15,094
Securities borrowed or purchased in resale agreements	1,332	1,332	-	-	1,332
Loans to the public, net	271,428	1,641	9,423	(5)263,092	274,156
Loans to Governments	477	-	-	477	477
Investments in associated companies	69	-	-	69	69
Assets with respect to derivatives	3,652	320	2,072	(2)1,260	3,652
Other financial assets	1,130	7	-	1,123	1,130
Total financial assets	**(4)388,388**	**30,515**	**87,126**	**273,538**	**391,179**
Financial liabilities					
Deposits from the public	307,924	1,588	107,921	200,501	310,010
Deposits from banks	6,992	-	443	6,549	6,992
Deposits from the Government	81	-	-	81	81
Bonds and subordinated notes	38,046	35,956	3	3,661	39,620
Liabilities with respect to derivatives	3,753	320	2,593	(2)840	3,753
Other financial liabilities	10,193	2,444	1,844	5,905	10,193
Total financial liabilities	**(4)366,989**	**40,308**	**112,804**	**217,537**	**370,649**

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) For more information about the carrying amount and fair value of securities, see Note 5 to the financial statements.

(4) Includes assets and liabilities amounting to NIS 102,052 million and NIS 118,615 million, respectively, whose carrying amount equals their fair value (instruments presented at fair value on the balance sheet). For more information on instruments measured at fair value on recurring basis and on non-recurring basis, see B.-D. below.

(5) Of which embedded derivatives in loans to the public, net amounting to NIS 7 million.

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

Reported amounts (NIS in millions)

B. Items measured at fair value:

1. On recurring basis

	June 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	3,509	3,266	-	6,775
Of foreign governments	7,574	-	-	7,574
Of banks and financial institutions in Israel	410	9	-	419
Of banks and financial institutions overseas	11	169	72	252
Asset-backed (ABS)	-	54	-	54
Of others in Israel	557	101	63	721
Of others overseas	227	10	3	240
Shares not held for trading	241	105	23	369
Securities held for trading:				
Bonds of the Government of Israel	2,151	-	-	2,151
Bonds of financial institutions in Israel	1	-	-	1
Bonds of others in Israel	32	-	-	32
Bonds of foreign others	44	-	-	44
Shares held for trading	22	-	-	22
Securities borrowed or purchased in resale agreements	2,124	-	-	2,124
Credit with respect to loans to customers	2,250	-	-	2,250
Assets with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	60	51	111
Other	-	1,265	34	1,299
Currency contracts	157	3,379	1,821	5,357
Contracts for shares	113	37	161	311
Commodities and other contracts	-	-	2	2
Other financial assets	7	-	-	7
Other	-	-	9	9
Total assets	**19,430**	**8,455**	**2,239**	**30,124**
Liabilities				
Deposits with respect to borrowing from customers	2,250	-	-	2,250
Liabilities with respect to derivative instruments(1)				
Interest contracts:				
NIS / CPI	-	103	94	197
Other	-	1,047	79	1,126
Currency contracts	148	3,257	1,234	4,639
Contracts for shares	113	14	162	289
Commodities and other contracts	-	13	-	13
Other financial liabilities	4,616	-	-	4,616
Other	-	-	9	9
Total liabilities	**7,127**	**4,434**	**1,578**	**13,139**

(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

	June 30, 2021 (unaudited)			
	Prices quoted on active market (level 1)	Other significant observed data (level 2)	Non-observed significant data (level 3)	Total fair value
Assets				
Bonds available for sale				
Bonds:				
of Government of Israel	5,937	3,822	-	9,759
Of foreign governments	884	-	-	884
Of banks and financial institutions in Israel	105	51	-	156
Of banks and financial institutions overseas	10	185	28	223
Asset-backed (ABS)	3	28	-	31
Of others in Israel	466	197	22	685
Of others overseas	245	21	12	278
Investments in shares not held for trading	305	-	16	321
Securities held for trading:				-
Bonds of the Government of Israel	1,423	-	-	1,423
Bonds of others in Israel	26	-	1	27
Bonds of foreign others	23	-	-	23
Shares	17	-	-	17
Securities borrowed or purchased in resale agreements	187	-	-	187
Credit with respect to loans to customers	2,090	-	-	2,090
Assets with respect to derivatives[(1)]				
Interest contracts:				
NIS / CPI	-	19	37	56
Other	-	577	156	733
Currency contracts	60	546	613	1,219
Contracts for shares	182	3	225	410
Commodities and other contracts	-	-	8	8
Other financial assets	13	-	-	13
Other	-	-	8	8
Total assets	**11,976**	**5,449**	**1,126**	**18,551**
Liabilities				
Deposits with respect to borrowing from customers	2,012	-	-	2,012
Liabilities with respect to derivative instruments[(1)]				
Interest contracts:				
NIS / CPI	-	55	50	105
Other	-	748	195	943
Currency contracts	59	641	399	1,099
Contracts for shares	207	12	40	259
Commodities and other contracts	-	1	5	6
Other financial liabilities	2,403	-	-	2,403
Other	-	-	3	3
Total liabilities	**4,681**	**1,457**	**692**	**6,830**

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

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

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

1. On recurring basis

	As of December 31, 2021 (audited)			
	Prices quoted on active market (level 1)	**Other significant observed data (level 2)**	**Non-observed significant data (level 3)**	**Total fair value**
Assets				
Bonds available for sale				
Bonds:				
of Government of Israel	3,638	3,676	-	7,314
Of foreign governments	2,035	-	-	2,035
Of banks and financial institutions in Israel	292	34	-	326
Of banks and financial institutions overseas	9	142	26	177
Asset-backed (ABS)	-	6	-	6
Of others in Israel	518	175	19	712
Of others overseas	221	20	12	253
Shares not held for trading	277	64	15	356
Securities held for trading:				
Bonds of the Government of Israel	473	-	-	473
Bonds of financial institutions in Israel	4	-	-	4
Bonds of others in Israel	24	-	-	24
Bonds of foreign others	49	-	-	49
Shares held for trading	20	-	-	20
Securities borrowed or purchased in resale agreements	1,332	-	-	1,332
Credit with respect to loans to customers	1,641	-	-	1,641
Assets with respect to derivatives(1)				
Interest contracts:				
NIS / CPI	-	34	39	73
Other	-	450	78	528
Currency contracts	73	1,552	718	2,343
Contracts for shares	247	36	423	706
Commodities and other contracts	-	-	2	2
Other financial assets	7	-	-	7
Other	-	-	7	7
Total assets	**10,860**	**6,189**	**1,339**	**18,388**
Liabilities				
Deposits with respect to borrowing from customers	1,588	-	-	1,588
Liabilities with respect to derivative instruments(1)				
Interest contracts:				
NIS / CPI	-	71	46	117
Other	-	563	117	680
Currency contracts	73	1,954	665	2,692
Contracts for shares	247	-	12	259
Commodities and other contracts	-	5	-	5
Other financial liabilities	2,444	-	-	2,444
Total liabilities	**4,352**	**2,593**	**840**	**7,785**

(1) Fair value measurement of derivative instruments classified under Level 3 is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

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

Reported amounts (NIS in millions)

B. Items measured at fair value – continued:

2. On non-recurring basis

	June 30, 2022 (unaudited)				For the three months ended June 30, 2022	For the six months ended June 30, 2022
	Fair value					
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains	
Impaired credit whose collection is contingent on collateral	-		111	111	(6)	(8)
Investments in shares for which no fair value is available	-	-	321	321	(8)	(1)

	June 30, 2021 (unaudited)				For the three months ended June 30, 2021	For the six months ended June 30, 2021
	Fair value					
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains (losses)	
Impaired credit whose collection is contingent on collateral	-	13	172	185	28	25
Investments in shares for which no fair value is available	-	-	302	302	(1)	4

	As of December 31, 2021 (audited)				For the year ended December 31, 2021
	Fair value				
	Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total	Gains (losses)
Impaired credit whose collection is contingent on collateral	-	6	162	168	29
Investments in shares for which no fair value is available	-	-	350	350	42

(1) Level 1 – Fair value measurements using quoted prices on an active market.
Level 2 – Fair value measurements using other significant observed data.
Level 3 – Fair value measurements using significant non-observed data.

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

Reported amounts (NIS in millions)

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

	For the three months ended June 30, 2022 (unaudited)									
		Net realized / unrealized gains (losses) included[(1)]								
	Fair value as of March 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 June 30, 2022	Unrealized gains (losses) with respect to instruments held as of June 30, 2022
Assets										
Securities available for sale										
Bonds:										
Of foreign financial institutions	23	2	-	-	-	-	53	(6)	72	2
Of others in Israel	22	2	(1)	-	-	(1)	41	-	63	4
Of others overseas	3	-	-	-	-	-	-	-	3	-
Shares not held for trading	21	2	-	-	-	-	-	-	23	(1)
Assets with respect to derivatives[(2)]										
Interest contracts:										
NIS / CPI	47	(1)	-	3	-	(2)	4	-	51	26
Other	24	(21)	-	31	-	-	-	-	34	12
Currency contracts	1,047	378	-	1,040	-	(641)	-	(3)	1,821	1,594
Contracts for shares	386	(82)	-	4	-	(147)	-	-	161	-
Commodities and other contracts	2	-	-	-	-	-	-	-	2	-
Other	8	1	-	-	-	-	-	-	9	-
Total assets	**1,583**	**281**	**(1)**	**1,078**	**-**	**(791)**	**98**	**(9)**	**2,239**	**1,637**
Liabilities										
Liabilities with respect to derivative instruments[(2)]										
Interest contracts:										
NIS / CPI	75	21	-	2	-	(11)	7	-	94	(43)
Other	83	(4)	-	1	-	(1)	-	-	79	(63)
Currency contracts	943	510	-	349	-	(568)	-	-	1,234	(788)
Contracts for shares	42	33	-	90	-	(3)	-	-	162	-
Commodities and other contracts	7	(7)	-	-	-	-	-	-	-	-
Other	9	-	-	-	-	-	-	-	9	-
Total liabilities	**1,159**	**553**	**-**	**442**	**-**	**(583)**	**7**	**-**	**1,578**	**(894)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

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

Reported amounts (NIS in millions)

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

	For the three months ended June 30, 2021 (unaudited)								
		Net realized / unrealized gains (losses) included[(1)]							
	Fair value as of March 31, 2021	In statement of profit and loss	In statement of other compre-hensive income under Equity	Acqui-sitions	Sales	Dispos-itions	Transfer to level 3[(3)]	Fair value as of June 30, 2021	Unrealized gains (losses) with respect to instruments held as of June 30, 2021
Assets									
Securities available for sale									
Bonds:									
Of foreign financial institutions	14	-	-	-	-	-	14	28	-
Of others in Israel	31	-	-	-	-	(9)	-	22	1
Of others overseas	11	-	1	-	-	-	-	12	-
Securities held for trading									
Of others in Israel	3	-	-	-	-	(2)	-	1	-
Shares not held for trading	16	-	-	-	-	-	-	16	-
Assets with respect to derivatives[(2)]									
Interest contracts:									
NIS / CPI	51	(11)	-	2	-	(8)	3	37	14
Other	153	4	-	-	-	(1)	-	156	89
Currency contracts	1,119	12	-	184	-	(702)	-	613	245
Contracts for shares	260	82	-	16	-	(133)	-	225	-
Commodities and other contracts	7	1	-	-	-	-	-	8	-
Other	9	(1)	-	-	-	-	-	8	-
Total assets	**1,674**	**87**	**1**	**202**	**-**	**(855)**	**17**	**1,126**	**349**
Liabilities									
Liabilities with respect to derivative instruments[(2)]									
Interest contracts:									
NIS / CPI	61	2	-	2	-	(15)	-	50	49
Other	206	(4)	-	1	-	(8)	-	195	(128)
Currency contracts	939	(84)	-	101	-	(557)	-	399	(254)
Contracts for shares	69	4	-	7	-	(40)	-	40	-
Commodities and other contracts	7	(1)	-	-	-	(1)	-	5	-
Other	4	(1)	-	-	-	-	-	3	-
Total liabilities	**1,286**	**(84)**	**-**	**111**	**-**	**(621)**	**-**	**692**	**(333)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

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

Reported amounts (NIS in millions)

	For the six months ended June 30, 2022 (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 June 30, 2022	Unrealized gains (losses) with respect to instruments held as of June 30, 2022
Assets										
Securities available for sale										
Of foreign financial institutions	26	2	-	-	(3)	-	53	(6)	72	2
Of others in Israel	19	3	2	-	-	(2)	41	-	63	4
Of others overseas	12	-	-	-	-	(9)	-	-	3	-
Shares not held for trading	15	2	-	6	-	-	-	-	23	(1)
Assets with respect to derivatives[2]										
Interest contracts:										
NIS / CPI	39	8	-	4	-	(15)	15	-	51	26
Other	78	(78)	-	35	-	(1)	-	-	34	12
Currency contracts	718	493	-	1,560	-	(947)	-	(3)	1,821	1,594
Contracts for shares	423	8	-	29	-	(299)	-	-	161	-
Commodities and other contracts	2	-	-	-	-	-	-	-	2	-
Other	7	2	-	-	-	-	-	-	9	-
Total assets	**1,339**	**440**	**2**	**1,634**	**(3)**	**(1,273)**	**109**	**(9)**	**2,239**	**1,637**
Liabilities										
Liabilities with respect to derivative instruments[2]										
Interest contracts:										
NIS / CPI	46	49	-	5	-	(21)	15	-	94	(43)
Other	117	(39)	-	3	-	(2)	-	-	79	(63)
Currency contracts	665	733	-	883	-	(1,047)	-	-	1,234	(788)
Contracts for shares	12	34	-	130	-	(14)	-	-	162	-
Other	-	9	-	-	-	-	-	-	9	-
Total liabilities	**840**	**786**	**-**	**1,021**	**-**	**(1,084)**	**15**	**-**	**1,578**	**(894)**

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

Reported amounts (NIS in millions)

	For the six months ended June 30, 2021 (unaudited)								
		Net realized / unrealized gains (losses) included[1]							
	Fair value as of December 31, 2020	In statement of profit loss	In statement of other comprehensive income under Equity	Acqui-sitions	Sales	Dispo-sitions	Transfer to level 3[3]	Fair value as of June 30, 2021	Unrealized gains (losses) with respect to instruments held as of June 30, 2021
Assets									
Securities available for sale									
Bonds:									
Of foreign financial institutions	5	-	-	-	-	(2)	25	28	-
Of others in Israel	19	1	1	-	-	(9)	10	22	1
Of others overseas	-	-	-	-	-	-	12	12	-
Securities held for trading									
Of others in Israel	3	-	-	-	-	(2)	-	1	-
Shares not held for trading	16	-	-	-	-	-	-	16	-
Assets with respect to derivatives[2]									
Interest contracts:									
NIS / CPI	59	(26)	-	2	-	(41)	43	37	19
Other	162	(5)	-	-	-	(1)	-	156	157
Currency contracts	1,337	(235)	-	844	-	(1,333)	-	613	567
Contracts for shares	189	169	-	59	-	(192)	-	225	-
Commodities and other contracts	8	8	-	-	-	(8)	-	8	1
Other	9	(1)	-	-	-	-	-	8	-
Total assets	**1,807**	**(89)**	**1**	**905**	**-**	**(1,588)**	**90**	**1,126**	**745**
Liabilities									
Liabilities with respect to derivative instruments[2]									
Interest contracts:									
NIS / CPI	48	(2)	-	7	-	(27)	24	50	45
Other	215	(6)	-	1	-	(15)	-	195	(187)
Currency contracts	1,287	(174)	-	695	-	(1,409)	-	399	(478)
Contracts for shares	93	14	-	21	-	(88)	-	40	-
Commodities and other contracts	9	(3)	-	-	-	(1)	-	5	(1)
Other	6	(3)	-	-	-	-	-	3	-
Total liabilities	**1,658**	**(174)**	**-**	**724**	**-**	**(1,540)**	**24**	**692**	**(621)**

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

Reported amounts (NIS in millions)

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

	For the year ended December 31, 2021 (audited)									
		Net realized / unrealized gains (losses) included[(1)]								
	Fair value as of December 31, 2020	In statement of profit and loss	In statement of other comprehensive income under Equity	Acquisitions	Sales	Dispositions	Transfer to level 3[(3)]	Transfers from Level 3[(3)]	Fair value as of December 31, 2021	Unrealized gains (losses) with respect to instruments held as of December 31, 2021
Assets										
Securities available for sale										
Bonds:										
Of foreign financial institutions	5	(1)	-	-	-	(2)	24	-	26	(1)
Of others in Israel	19	-	(1)	-	-	(10)	11	-	19	(2)
Of others overseas	-	-	1	-	-	-	11	-	12	-
Securities held for trading										
Of others in Israel	3	-	-	-	-	(3)	-	-	-	-
Shares not held for trading	16	(1)	-	-	-	-	-	-	15	(1)
Assets with respect to derivatives[(2)]										
Interest contracts:										
NIS / CPI	59	(27)	-	10	-	(46)	43	-	39	21
Other	162	(86)	-	8	-	(6)	-	-	78	74
Currency contracts	1,337	23	-	1,431	-	(2,073)	-	-	718	549
Contracts for shares	189	492	-	107	-	(365)	-	-	423	-
Commodities and other contracts	8	3	-	-	-	(9)	-	-	2	-
Other	9	(2)	-	-	-	-	-	-	7	-
Total assets	**1,807**	**401**	**-**	**1,556**	**-**	**(2,514)**	**89**	**-**	**1,339**	**640**
Liabilities										
Liabilities with respect to derivative instruments[(2)]										
Interest contracts:										
NIS / CPI	48	(10)	-	10	-	(41)	39	-	46	-
Other	215	(53)	-	4	-	(49)	-	-	117	(64)
Currency contracts	1,287	99	-	1,123	-	(1,844)	-	-	665	(315)
Contracts for shares	93	8	-	32	-	(121)	-	-	12	-
Commodities and other contracts	9	(8)	-	-	-	(1)	-	-	-	-
Other	6	(6)	-	-	-	-	-	-	-	-
Total liabilities	**1,658**	**30**	**-**	**1,169**	**-**	**(2,056)**	**39**	**-**	**840**	**(379)**

(1) Realized gains (losses) included in the statement of profit and loss under "Non-interest financing revenues". Unrealized gains and losses included in equity under Adjustments for Presentation of Available-for-Sale Securities at Fair Value under Other Comprehensive Income.

(2) Fair value measurement is primarily based on use of observed data (market interest rate curves), except for credit quality of counter party.

(3) Transfers to Level 3 include transactions for which market data, in the reported periods, are not observed. Transfers from Level 3 result from the opposite situation.

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

Reported amounts (NIS in millions)

D. Additional information about non-observed significant data and valuation techniques used in fair value measurement of items classified at Level 3:

	Fair value as of June 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
Securities held for trading					
Bonds of others in Israel	1	Cash flows discounting	Price		2.28
Assets with respect to derivative instruments:					
NIS / CPI	31	Cash flows discounting	Inflationary expectations	3.31%-0.17%	2.10%
Foreign currency	30	Cash flows discounting	Counter-party credit quality	0	
Contracts for shares	131	Options pricing model	Standard deviation per share	50.25% - 24.23%	42.20%
Other	1,886	Cash flows discounting	Counter-party credit quality	2.60%-0.30%	1.91%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	72	Cash flows discounting	Inflationary expectations	3.31% - 2.04%	2.43%
Other	1,506	Cash flows discounting	Counter-party credit quality	3.6%-0.30%	1.75%

	Fair value as of June 30, 2021	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	16	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of others in Israel	4	Cash flows discounting	Price	101.08 - 5.60	33.82
	7	Cash flows discounting	Discount rate	41.78	41.78
Bonds of foreign others	12	NAV (Net Asset Value) model	Price	88.01 - 19.76	57.85
Securities held for trading					
Bonds of others in Israel	1	Cash flows discounting	Price	101.08 - 33.15	56.21
Assets with respect to derivative instruments:					
NIS / CPI	23	Cash flows discounting	Inflationary expectations	1.84% - (0.05%)	0.28%
Foreign currency	18	Cash flows discounting	Counter-party credit quality	16.87% - 0.13%	0.35%
Contracts for shares	431	Options pricing model	Standard deviation per share	84.63% - 33.39%	37.41%
Commodities and other contracts	1	Cash flows discounting	Counter-party credit quality	0.17%	0.17%
Other	574	Cash flows discounting	Counter-party credit quality	3.60% - 0.30%	1.65%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	35	Cash flows discounting	Inflationary expectations	3.69% - 0.41%	1.75%
Other	657	Cash flows discounting	Counter-party credit quality	2.60% - 0.30%	1.62%

	Fair value as of December 31, 2021	Valuation technique	Non-observed data	Range	Weighted average
Shares not held for trading	15	Quote from counter-party to the transaction			
Securities available for sale					
Bonds of others in Israel	1	Cash flows discounting	Price	56.33-5.60	8.43
	8	NAV (Net Asset Value) model	Price	47.81	47.81
Bonds of foreign others	12	Cash flows discounting	Price	96.00-19.00	61.57
Assets with respect to derivative instruments:					
NIS / CPI	21	Cash flows discounting	Inflationary expectations	5.20%-2.20%	2.30%
Foreign currency	30	Cash flows discounting	Counter-party credit quality	16.87%-0.13%	0.57%
Contracts for shares	31	Options pricing model	Standard deviation per share	42.41% - 34.26%	40.31%
Other	1,185	Cash flows discounting	Counter-party credit quality	3.60%-0.30%	1.77%
Liabilities with respect to derivative instruments:					
Interest contracts – NIS CPI	36	Cash flows discounting	Inflationary expectations	2.31%-1.56%	2.25%
Other	804	Cash flows discounting	Counter-party credit quality	2.60%-0.30%	1.67%

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

Reported amounts (NIS in millions)

E. Information regarding uncertainty of fair value measurements to changes in unobserved data

The main valuation technique of significant unobserved data used in measurement of fair value of assets and liabilities at Level 3 is Discounted Cash Flow. The future cash flows for the instrument is derived from the agreement with the counter-party. The discount rate used to discount the cash flow reflects the Bank's assumptions.

The primary unobserved data used in measurement of fair value of bonds is the price of the bonds.

F. Election of fair value option

Should the Bank elect the fair value option, changes to fair value of investments in certain bonds would be recorded to profit and loss, with bonds classified under the portfolio held for trading, although they had not been purchased for this purpose.

The election of the fair value option was made under the following circumstances:

1. Reduce volatility in profit and loss resulting from changes between the original measurement basis of financial instruments designated at the fair value option, and the measurement basis of derivative financial instruments used to manage risks with respect to such investments.
2. Complexity of implementing hedge accounting.
3. More accurate economic presentation of assets managed on fair value basis.

As of June 30, 2022, June 30, 2021 and December 31, 2021, the Bank did not select 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 for 2020 and to officers of the Bank (other than the Bank President & CEO and Bank Board members) and to key employees and other managers at the Bank and at Bank subsidiaries, as well as pools for option warrant issuance in two additional annual lots in 2022 and in 2023 (hereinafter: "the Outline"). See Note 23 to the 2021 financial statements for additional information.

On June 26, 2022, the Bank allocated pursuant to the Board of Directors' resolution dated May 24, 2022, to the Bank President & CEO, to Bank officers, to key employees and to other managers at the Bank and at Bank subsidiaries, options pursuant to the 2022 outline, as follows:

- Option plan 1 – up to 38,409 options 1 to be awarded to the Bank President & CEO, exercisable for up to 38,409 Bank ordinary shares of NIS 0.1 par value each.
- Option plan A – up to 271,080 options A to be awarded to up to seven Bank officers who are not gatekeepers, exercisable for up to 271,080 Bank ordinary shares of NIS 0.1 par value each.
- Option plan B – up to 155,168 options B to be awarded to up to five Bank officers who are gatekeepers, exercisable for up to 155,168 Bank ordinary shares of NIS 0.1 par value each.
- Option plan C – up to 550,100 options C to be awarded to up to seventeen key Bank employees and up to seventeen key employees at Bank subsidiaries, which have been approved for inclusion in this group, exercisable for up to 550,100 Bank ordinary shares of NIS 0.1 par value each.
- Option plan D – up to 852,750 options D to be awarded to up to fifty-nine managers employed by the Bank by individual contracts, and up to thirty other managers at the Bank and at Bank subsidiaries, which have been approved for inclusion in this group, exercisable for up to 852,750 Bank ordinary shares of NIS 0.1 par value each.
- Option plan E – Up to 1,556,200 options E to be awarded to up to two hundred and sixty-eight managers employed by the Bank subject to collective bargaining agreements, and to up to twenty-one managers at Bank subsidiaries, exercisable for up to 1,556,200 Bank ordinary shares of NIS 0.1 par value each.

The number of options which offerees may actually exercise, pursuant to terms of each plan, would be derived from the eligibility terms set for each plan in the Outline, as follows. Furthermore, allotment of the maximum number of exercise shares is merely theoretical, since in actual fact the Bank would not allot to the offerees the full number of exercise shares arising from the options which the offerees may exercise pursuant to terms of each plan – but only the number of shares reflecting the monetary benefit inherent in those options, based, inter alia, on the closing price cap of NIS 163 plus linkage differentials from the known CPI upon approval by the Board of Directors to the known CPI upon the exercise date.

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

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

The options to be issued in the name of the Trustee pursuant to option plans A, B or C shall be divided into three equal lots; The lots may be exercised as from two years after (1) the issue date; (2) April 1, 2025; and (3) April 1, 2026; Each lot shall expire 18 months after each of said dates.

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

An offeree's eligibility for options pursuant to each of option plans would be contingent on the Bank's total capital adequacy ratio and Tier I capital ratio for the award year, would not be lower than the minimum ratios stipulated by Bank of Israel directives.

Note 16 – Other matters – Continued

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

- Options A and options B to be issued to offerees who are officers of the Bank, as noted above, constitute part of these officers' variable remuneration. Officer eligibility to options A or to options B would be determined based on four criteria which are measurable "company-wide criteria" (hereinafter: "the quantitative benchmarks") and based on a qualitative criterion based on supervisor assessment of achievement of individual targets of the officer, all as specified in the outline.
- Eligibility of offerees who are not officers of the Bank to options C and options D, with respect to any bonus year, would be determined exclusively based on the quantitative benchmarks. Eligibility of offerees who are not officers of the Bank to options C and options E, with respect to any bonus year, would be determined based on the quantitative benchmarks and on the quality rating assigned to such offerees, as stated in section 2.12.3 of the Memorandum.

The quantitative benchmarks specified in the option plan are: return on equity, return on Bank shares relative to benchmark, operating efficiency ratio and the core deposit ratio.

The exercise price for each option to be issued pursuant to each of the plans is NIS 118.10 plus CPI linkage differentials, from the known CPI upon approval by the Board of Directors of the issuance of options to the offerees and until the known CPI upon exercise of the option by the offeree. The exercise price is determined based on the average closing price of Bank ordinary shares on the stock exchange over the thirty trading days preceding the approval date by the Board of Directors. Accordingly, note that on the exercise date, an offeree would not be required to pay the exercise price – which would only serve to determine the monetary benefit amount and the number of exercise shares to be actually allotted to the offeree.

In order to calculate the fair value as of the approval date of option issuance by the Board of Directors, as noted above, the terms and conditions of the option plans and the data and assumptions listed in the Outline have been taken into account.

Based on the assumptions listed in the Outline, the fair value of each option warrant to be awarded pursuant to each option plan, as of the approval date of option issuance by the Board of Directors, is as follows:

- Options 1 – NIS 13.33;
- Options A – NIS 13.28;
- Options B – NIS 13.34;
- Options C – NIS 13.09;
- Options D and E – NIS 13.68.

The theoretical benefit value of the options in these approved lots, calculated in accordance with US accounting rules (ASC 718 "Share-based Payment"), amounts to NIS 46 million.

The theoretical lot value shall be recognized in Bank accounts over the vesting period, i.e. from the second quarter of 2022 through the end of the year.

The options were allotted under the "Capital Gain" track, pursuant to the Section 102 of the Income Tax Ordinance. Therefore, any benefit arising to the offerees from exercise of these options will be taxed at the capital gain tax rate applicable to the offerees upon exercise of the options. Therefore, the Bank would not be liable for wages tax with respect to the benefit arising to offerees from exercise of the options pursuant to the option plan. Furthermore, upon payment of tax with respect to this benefit by the offerees, the Bank would not have any tax deductible expense with respect to the aforementioned options.

Note 17 – Events after the balance sheet date

On August 15, 2022, after the balance sheet date, the Bank's Board of Directors resolved to distribute dividends amounting to NIS 315.9 million, or 30% of earnings in the second quarter of 2022, in conformity with the Bank's dividend distribution policy. The dividends are 1230.2% of issued share capital, i.e. NIS 123.02 per NIS 0.1 par value share. The effective date for dividends payment is August 23, 2022 and the payment date is August 30, 2022. The final dividends per share is subject to changes due to realized convertible securities of the Bank. According to accounting rules, this amount will be deducted from retained earnings in the third quarter of 2022.

Bank Mizrahi Tefahot

Corporate governance, audit, other information about the Bank and its management

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Corporate governance

Board of Directors and management

Board of Directors

During the first half of 2022, the Bank Board of Directors held 9 plenary meetings. Furthermore, in this half 35 meetings of Board committees and 7 Board member workshops took place.

In the first half of 2022 through the issue date of the financial statements, there were no changes in composition of the Board of Directors nor of Board committees.

Bank management and senior officers

Ms. Shevy Shemer, having served as CEO of Union Bank in the past three years, was appointed VP, Manager of the Retail Division of the Bank as from April 1, 2022, replacing Mr. Israel Engel who concluded their term in office.

Internal Auditor

Information about Internal Audit at the Group, including professional standards applied by Internal Audit, the annual and multi-annual work plan and considerations in setting this plan, the scope of work of the Internal Auditor and their team and reporting of the Internal Auditor's findings are provided in chapter "Corporate governance, audit, other information about the Bank and its management" of the 2021 annual report.

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

Transactions with controlling shareholders and related parties

Transactions with related parties were conducted in the normal course of business, at market terms and at terms and conditions similar to those of transactions with parties not related to the Bank.

Legislation and supervisory directives applicable to Bank Group operations

Laws and regulations

Financial Information Services Law, 2021

In November 2021, as part of the Economic Plan Law (Legislation amendments for implementation of economic policy for 2021 and 2022 budget years), 2021, the Knesset passed the Financial Information Services Law, 2021. The Law became effective on June 14, 2022, but an earlier effective start date has been specified for parts thereof.

The Law complements and expands an arrangement set by the Bank of Israel in Proper Conduct of Banking Business Directive 368 regarding "Open banking".

The Law primarily governs financial information services, including collection of financial information, delivery of financial information to another part and use of financial information for the following services: Providing summary financial information for a customer or anyone on behalf thereof; cost compcustomerarison service; brokerage; advisory service with regard to economic conduct; providing an offer by the service provider to contract with the client with regard to a financial product or a financial service.

Information about a customer account holder may only be provided with consent of the customer. The Law governs how such consent must be obtained and the scope of information to be provided, based on "information baskets" specified in the Law.

The Law imposes mandatory provision of information for several types of information sources, and expands the scope of the arrangement set forth in Proper Conduct of Banking Business Directive 368, such that now this requirement applies not only to banking corporations, but also to institutional investors, Stock Exchange members, portfolio managers, licensed providers of credit services, credit brokerage or credit and deposit services. Typically, such information is provided free of charge.

The Law requires mandatory licensing of financial information service providers. The mandatory licensing does not apply to financial entities which are information sources, including banking corporations, but they are required to obtain approval from the relevant regulator (in the case of the Bank – from the Bank of Israel). Subject to such approval, the Bank may also provide financial information services. The Bank has applied to the Bank of Israel for such approval.

The Law imposes on financial information service providers fiduciary duty and duty of care, mandatory non-disclosure and information security, and further stipulates provisions to avoid conflict of interest, misleading and undue influence. A written agreement with the customer, including proper disclosure, is required. The Law also imposes liability for defective information. The Law stipulates sanctions for certain breaches by service providers or by information sources.

The Bank is preparing to implement the provisions of the Law.

Revision of the Law has no material impact on the Bank's financial statements.

Banking Law (Customer Service) (Amendment no. 34) (Commission cap for housing loan application), 2022

The Law was made public on June 22, 2022, stipulating that a banking corporation may only charge a commission of up to NIS 360 for processing a housing loan application. The Law should become effective on August 22, 2022. Bank management estimates that when this Law would become effective, it should result in a non-material decrease in Bank revenues from such activity.

Supervisor of Banks

Circulars and public reporting directives

Transition from LIBOR interest

A decision was made to discontinued use of LIBOR for all currencies other than USD by end of 2021. Further to this decision, diverse teams have been set up around the world, in order to determine alternative interest rate benchmarks.

The discontinuation of the use of LIBOR and transition to alternative interest rate benchmarks has wide-ranging implications for all bank customers who hold instruments denominated in or linked to foreign currency and bearing variable interest. There are, naturally, also direct implications for the Bank, such as economic, operating and accounting implications.

On September 30, 2021, the Bank of Israel issued a circular regarding transition from LIBOR interest rates (Proper Conduct of Banking Business Directive 250A). In early 2022, the financial system is expected to discontinue using LIBOR interest rates. The directive includes guidelines for the transition to using alternative interest rates, handling of existing agreements and informing customers. This interim directive is effective as from two weeks after being issued, through December 31, 2023.

The Bank has implemented the Bank of Israel directives on this matter and specified alternative underlying interest rates and has informed the clients of this, both through individual contact with relevant clients and through publications on the Bank website.

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

For more information see Note 1 to the Bank's financial statements.

Open Banking standard implementation in Israel

On February 24, 2020, the Bank of Israel issued a circular containing Proper Conduct of Banking Business Directive 368 "Implementation of Open Banking Standard". The circular describes the evolution of open banking around the world and the standards created, and elaborates legislation in Israel that has resulted in the Supervisor of Banks promoting the open banking project and issuing a directive in this regard. The directive includes instruction for implementation of the open banking standard, rules for quality of service and customer consent, and guidelines for information architecture and security. The directive applies to banks and credit card companies operating in Israel, with respect to individual accounts. The directive further stipulates instruction with respect to corporate governance, including responsibilities of the Board of Directors and senior management in setting policy, appropriate resource allocation and supervision of implementation of the management framework for open banking. The effective start date of this directive is December 31, 2020, except for information about debit cards which is effective as from July 1, 2021 and information about credit, deposits and securities which is effective as from December 31, 2021.

On April 7, 2020, the Bank of Israel issued a circular in view of developments in the Corona Virus outbreak, with revised effective start dates for Proper Conduct of Banking Business Directive 368. The effective start date of this directive was revised to March 31, 2021; the effective start date for information about debit cards was revised to October 10, 2021 and the effective start date for information about credit, deposits and securities was revised to March 31, 2022.

On April 5, 2021, the Bank of Israel issued a circular which delays by a few months the planned implementation, in order to allow for proper reference to various issues raised during preparations for implementation, due to the wish to establish the open banking system. Stage 2 was delayed to January 31, 2022 (from October 10, 2021) and stage 3 was delayed to May 31, 2022 (from March 31, 2022). This delay should allow the banking system to stabilize the services in the system, so that system availability would be robust and its services would provide a response for market demand.

On January 17, 2022, the Bank of Israel issued a circular regarding "Implementation of open banking standard in Israel", which updates the effective start dates of mandatory provision of access to information about customer activity in debit cards, and mandatory provision of access to the customer's checking account for payment initiation, as stipulated in the directive. The schedules for providing access to information about borrowing and deposits were aligned with those set forth in the Law. The effective start date for information about debit cards and payment initiation was revised to March 31, 2022, and the effective start date for information about credit, savings and deposits was revised to October 31, 2022.

On February 23, 2022, the Bank of Israel issued a circular regarding implementation of open banking standard in Israel, amending the directive to align it with provisions set forth in the Financial Information Service Law. The effective start date of the directive is the same as that of the Law. As from June 30, 2023, Chapter H of Proper Conduct of Banking Business Directive 367 would no longer apply to individual accounts, and would continue to apply for information summary services for corporate customers through December 31, 2024.

On May 15, 2022, the Bank of Israel issued a circular regarding implementation of open banking standard in Israel, amending Directive 368 and stipulating provisions with regard to prohibition of receiving benefits and adding Section 57b to the Directive, in conformity with the Supervisor's authority pursuant to the Financial Information Service Law, as well as amendments to the actual standard. The effective start date of Section 57b of the Directive is on the effective start date of the Financial Information Service Law (as of the date of this publication: June 14, 2022).

Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)

On March 19, 2020, the Bank of Israel issued a circular containing Proper Conduct of Banking Business Directive 250 "Adjustments to Proper Conduct of Banking Business Directives for addressing the Corona Virus (Interim Directive)". The directive lists multiple relief measures formulated into an interim directive, in view of the Corona Virus outbreak and its economic implications in Israel and overseas. The adjustments in the directive are designed to provide banks with business flexibility required at this time. Further adjustments to the directive were issued in circulars dated March 31, 2020, April 1, 2020, April 7, 2020, April 27, 2020, May 5, 2020, May 20, 2020, June 1, 2020, June 23, 2020, September 16, 2020, September 22, 2020, November 15, 2020, December 3, 2020, December 17, 2020, January 7, 2021, March 22, 2021, July 19, 2021, July 26, 2021, August 9, 2021, September 30, 2021, December 2, 2021, January 18, 2022 and May 15, 2022. The Bank has applied some of the relief measures listed in the directive, as well as further relief measures based on the Bank's business decisions, including the following:

- Suspension of account and account holder restriction due to checks refused for insufficient funds, as from March 4, 2020 (this suspension was terminated in view of instruction to terminate the suspension period).
- Debit card issue to customers that do not hold a debit card and withdraw their allowance at the branch (this was issued as a non-recurring measure).
- Implementation of instructions with regard to reduced branch opening hours and to reduced operations and movement in the public space (these instructions were gradually rescinded later on, in view of relief made public by the Government. All branches in the banking system were opened to the public and provide all services as provided prior to the crisis. A circular dated January 18, 2022 due to a renewed outbreak of the virus included revised directives with regard to limited branch opening and service provision to customers.
- Relief for restrictions on extending residential mortgages (relief concluded) and on dates for issue of letter of intent and settlement confirmation (elimination of interim directive which allowed the Bank to approve general purpose loans with LTV up to 70%, rather than LTV up to 50%).
- A circular dated December 27, 2021 noted that as from January 1, 2022, the interim directive would expire, except for specific provisions, including revision of Directive 329 with regard to "Restrictions on extending residential mortgages" with respect to calculation of capital requirement.
- Relief for E-banking, providing instructions by telephone and giving precedence in queues to senior citizens (On December 30, 2020, an amendment to Directive 426 with regard to "Providing professional call center service" amended the age of clients to be given precedence in queues, from 75 to 70, under routine conditions as well).
- Delay in repayment of commercial loans and residential mortgages (due to continuation of the Corona Virus pandemic and expansion of the outline to delay loan repayments, on September 30, 2020 the Bank of Israel issued a circular adding reporting directive 889C "Reporting of repayment delay under unusual condition (monthly)".

- On October 11, 2020 and on December 3, 2020, the Supervisor of Banks issued supervisory highlights concerning further changes to loan terms and conditions and regarding the additional outline for repayment delay as part of the Corona Virus pandemic, with regard to risk management, public reporting, classification and internal control.
- On May 15, 2022, the relief provided with regard to leverage ratios was extended through December 31, 2023. A banking corporation applying this relief at the time would be required to resume the required leverage ratio prior to the interim directive within two quarters.

Implementation of this circular had no material impact on the Bank's financial statements.

AML and terror financing risk management

On May 9, 2022, the Bank of Israel issued a circular with regard to AML and terror financing risk management (amendment of Proper Conduct of Banking Business Directive 411). Due to increase in customer activity involving virtual currency and since the Supervisor of Banks regards payment services provided by banking corporations incidental to activity involving virtual currency as carrying high risk with regard to AML and prohibition of terror financing, the amendment to the Directive stipulates the unique requirements of the banking system with regard to AML and prohibition of terror financing risk management associated with providing payment services involving activity in virtual currency.

The effective start date of amendments to this directive is 6 months after the issue date of the directive. The Bank is preparing to implement the directive. Application of the circular is not expected to have any material impact on the Bank's financial statements.

Procedures for extending residential mortgages

On January 31, 2022, the Bank of Israel issued a circular regarding procedures for extending residential mortgages (Proper Conduct of Banking Business Directive 451). The directive stipulates uniform baskets which banking corporations are required to offer to customers. The directive stipulates that the approval in principle would also include 3 uniform baskets, which differ in risk level and frequency. The amendments to the directive include an instruction to banking corporations to provide to the public an online calculator which allows for simulation of various loan mixes over various time frames, including the uniform tracks stipulated in the directive, so as to obtain an estimate of the impact of changes to the loan mix on the monthly payment and total amount payable throughout the loan term.

The effective start date of amendments to this directive is August 31, 2022, and banking corporations may act pursuant to this directive even prior to said effective start date. The Bank is preparing to implement the directive.

Advanced payment services

On June 13, 2022, the Bank of Israel issued a circular regarding advanced payment services (Proper Conduct of Banking Business Directive 427). Given the significant increase in use of payment applications, there is a need to regulate aspects of disclosure provided to customers by the current acccount manager and/or by the debit card issuer used to conduct the payment transaction. This directive is complementary to provisions of the Payment Services Law and the effective start date of this directive is January 1, 2023.

The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Cloud computing

On June 13, 2022, the Bank of Israel issued a circular regarding cloud computing (Proper Conduct of Banking Business Directive 362). The Supervisor of Banks regards cloud computing services as an instance of outsourcing, and therefore a banking corporation making use of cloud computing services shall be subject to provisions of this directive, as well as to all provisions of the directive regarding outsourcing. The directive makes a distinction between cloud computing, private cloud and material cloud computing. Banking corporations would be required to set policy on the use of cloud services. The amendments to the directive shall apply as from January 1, 2023.

The Bank is preparing to implement the directive. Application of the directive is not expected to have any material impact on the Bank's financial statements.

Bank's credit rating

On August 22, 2021, Midroog Ltd. (created in partnership with Moody's International, which owns a 51% equity stake) (hereinafter: "Midroog") left the Bank ratings unchanged. Long-term deposits and senior debt of the Bank are rated Aaa.il / Stable outlook.

contingent subordinated notes with contractual loss-absorption provisions (CoCo), which qualify as Tier II equity in conformity with provisions of Basel III, are rated Aa3.il / Stable outlook.

On July 26, 2022, S&P GLOBAL RATINGS MAALOT LTD (hereinafter: "Maalot") approved the Bank's issuer rating of ilAAA / Stable outlook. According to the rating agency: "Confirmation of Mizrahi Tefahot's rating reflects our view, whereby the bank would continue to benefit from its leadership position in mortgages and from the robust economy".

Contingent subordinated notes with contractual loss-absorption provisions (CoCo), which qualify as Tier II equity in conformity with provisions of Basel III, are rated ilAA- by Maalot.

On January 12, 2022, rating agency Fitch Ratings (hereinafter: "Fitch") confirmed the Bank's long-term IDR rating of A with Stable outlook, and the Bank's short-term rating of F1+, and also confirmed the BBB rating of subordinated notes with loss-absorption provisions.

On September 30, 2020, Moody's Investors Services rating agency confirmed the Bank's long-term deposit rating at A2 with Stable outlook.

On July 20, 2022, rating agency S&P Global Ratings (hereinafter: "S&P") confirmed the long-term issuer credit rating of A- and the short-term issuer credit rating of A-2. Stable rating outlook. Moreover, the agency confirmed the BBB- rating of contingent subordinated notes with loss-absorption provisions which qualify as Tier II equity, issued by the Bank on April 7, 2021 by international private placement to institutional investors.

Operating segments

For extensive information about supervisory operating segments, see chapter "Corporate governance, audit, other information about the Bank and its management" of the 2021 financial statements.

Appendix 1 – Interest Revenues and Expenses Rates of the Bank and its Subsidiaries (1)

A. Average balances and interest rates – assets

	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Average balance(2)	Interest revenues	Revenue rate	Average balance(2)	Interest revenues	Revenue rate
			in %			in %
Interest-bearing assets						
Loans to the public(3)						
In Israel	280,291	(7)3,695	5.27	243,058	(7)2,949	4.85
Outside of Israel	4,965	69	5.56	3,347	44	5.26
Total	**285,256**	**3,764**	**5.28**	**246,405**	**2,993**	**4.86**
Loans to the Government						
In Israel	341	1	1.17	248	-	-
Outside of Israel	104	1	3.85	272	3	4.41
Total	**445**	**2**	**1.80**	**520**	**3**	**2.31**
Deposits with banks						
In Israel	2,153	5	0.93	1,263	2	0.63
Outside of Israel	482	1	0.83	159	-	-
Total	**2,635**	**6**	**0.91**	**1,422**	**2**	**0.56**
Deposits with central banks						
In Israel	73,024	70	0.38	77,847	13	0.07
Outside of Israel	10,383	24	0.92	11,232	3	0.11
Total	**83,407**	**94**	**0.45**	**89,079**	**16**	**0.07**
Securities borrowed or purchased in resale agreements						
In Israel	1,179	1	0.34	196	-	-
Outside of Israel	-	-	-	-	-	-
Total	**1,179**	**1**	**0.34**	**196**	**-**	**-**
Bonds held to maturity and available for sale(4)						
In Israel	16,053	90	2.24	16,691	65	1.56
Outside of Israel	950	3	1.26	853	2	0.94
Total	**17,003**	**93**	**2.19**	**17,544**	**67**	**1.53**
Bonds held for trading(5)						
In Israel	193	1	2.07	516	4	3.10
Outside of Israel	-	-	-	-	-	-
Total	**193**	**1**	**2.07**	**516**	**4**	**3.10**
Total interest-bearing assets	**390,118**	**3,961**	**4.06**	**355,682**	**3,085**	**3.47**
Receivables for credit card operations	4,279			4,527		
Other non-interest bearing assets(6)	10,715			7,032		
Total assets	**405,112**			**367,241**		
Total interest-bearing assets attributed to overseas operations	**16,884**	**98**	**2.32**	**15,863**	**52**	**1.31**

See footnotes below.

Interest Revenues and Expenses Rates of the Bank and its Subsidiaries(1) – Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – assets – Continued

	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Average balance(2)	Interest revenues	Revenue rate	Average balance(2)	Interest revenues	Revenue rate
			in %			in %
Interest-bearing assets						
Loans to the public(3)						
In Israel	274,119	(7)6,693	4.88	241,553	(7)5,045	4.18
Outside of Israel	4,669	121	5.18	3,384	88	5.20
Total	**278,788**	**6,814**	**4.89**	**244,937**	**5,133**	**4.19**
Loans to the Government						
In Israel	346	3	1.73	247	-	-
Outside of Israel	107	3	5.61	322	6	3.73
Total	**453**	**6**	**2.65**	**569**	**6**	**2.11**
Deposits with banks						
In Israel	2,100	6	0.57	1,463	3	0.41
Outside of Israel	339	1	0.59	166	-	-
Total	**2,439**	**7**	**0.57**	**1,629**	**3**	**0.37**
Deposits with central banks						
In Israel	76,228	92	0.24	76,209	31	0.08
Outside of Israel	9,833	28	0.57	11,468	6	0.10
Total	**86,061**	**120**	**0.28**	**87,677**	**37**	**0.08**
Securities borrowed or purchased in resale agreements						
In Israel	1,147	1	0.17	170	-	-
Outside of Israel	-	-	-	-	-	-
Total	**1,147**	**1**	**0.17**	**170**	**-**	**-**
Bonds held to maturity and available for sale(4)						
In Israel	15,142	149	1.97	16,601	104	1.25
Outside of Israel	934	5	1.07	762	4	1.05
Total	**16,076**	**154**	**1.92**	**17,363**	**108**	**1.24**
Bonds held for trading(5)						
In Israel	215	3	2.79	434	6	2.76
Outside of Israel	-	-	-	-	-	-
Total	**215**	**3**	**2.79**	**434**	**6**	**2.76**
Total interest-bearing assets	**385,179**	**7,105**	**3.69**	**352,779**	**5,293**	**3.00**
Receivables for credit card operations	4,166			4,441		
Other non-interest bearing assets(6)	9,285			6,107		
Total assets	**398,630**			**363,327**		
Total interest-bearing assets attributed to overseas operations	**15,882**	**158**	**1.99**	**16,102**	**104**	**1.29**

See footnotes below.

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[1] – Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – liabilities and equity

	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Average balance[2]	Interest expenses (revenues)	Expense (revenue) rate	Average balance[2]	Interest expenses (revenues)	Expense (revenue) rate
			in %			in %
Interest-bearing liabilities						
Deposits from the public						
In Israel						
On-call	48,823	12	0.10	45,157	33	0.29
Term deposits	158,324	854	2.16	144,864	528	1.46
Outside of Israel						
On-call	548	-	-	597	-	-
Term deposits	4,488	6	0.53	3,351	2	0.24
Total	**212,183**	**872**	**1.64**	**193,969**	**563**	**1.16**
Deposits from the Government						
In Israel	52	-	-	56	-	-
Outside of Israel	-	-	-	-	-	-
Total	**52**	**-**	**-**	**56**	**-**	**-**
Deposits from banks						
In Israel	7,025	1	0.06	5,099	1	0.08
Outside of Israel	294	-	-	47	-	-
Total	**7,319**	**1**	**0.05**	**5,146**	**1**	**0.08**
Securities loaned or sold in re-purchase agreements						
In Israel	-	-	-	-	-	-
Outside of Israel	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Bonds and subordinated notes						
In Israel	35,280	627	7.11	33,250	485	5.83
Outside of Israel	-	-	-	-	-	-
Total	**35,280**	**627**	**7.11**	**33,250**	**485**	**5.83**
Other liabilities						
In Israel	2,658	8	1.20	607	1	0.66
Outside of Israel	-	-	-	-	-	-
Total	**2,658**	**8**	**1.20**	**607**	**1**	**0.66**
Total interest-bearing liabilities	**257,492**	**1,508**	**2.34**	**233,028**	**1,050**	**1.80**
Non-interest bearing deposits from the public	106,246			97,973		
Payables for credit card transactions	5,623			4,736		
Other non-interest bearing liabilities[8]	12,757			10,609		
Total liabilities	**382,118**			**346,346**		
Total equity instruments	**22,994**			**20,895**		
Total liabilities and equity instruments	**405,112**			**367,241**		
Interest spread			**1.72**			**1.67**
Net return on interest-bearing assets[9]						
In Israel	373,234	2,361	2.53	339,819	1,985	2.34
Outside of Israel	16,884	92	2.18	15,863	50	1.26
Total	**390,118**	**2,453**	**2.52**	**355,682**	**2,035**	**2.29**
Total interest-bearing liabilities attributed to overseas operations	**5,330**	**6**	**0.45**	**3,995**	**2**	**0.20**

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[(1)] – Continued

Reported amounts (NIS in millions)

A. Average balances and interest rates – liabilities and equity – Continued

	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Average balance	Interest expenses (revenues)	Revenue rate	Average balance	Interest expenses (revenues)	Revenue rate
			in %			in %
Interest-bearing liabilities						
Deposits from the public						
In Israel						
On-call	48,265	26	0.11	43,735	57	0.26
Term deposits	154,180	1,426	1.85	144,807	866	1.20
Outside of Israel						
On-call	529	-	-	718	-	-
Term deposits	4,237	9	0.42	3,459	3	0.17
Total	**207,211**	**1,461**	**1.41**	**192,719**	**926**	**0.96**
Deposits from the Government						
In Israel	56	-	-	55	-	-
Outside of Israel	-	-	-	-	-	-
Total	**56**	**-**	**-**	**55**	**-**	**-**
Deposits from banks						
In Israel	6,936	2	0.06	4,691	2	0.09
Outside of Israel	147	-	-	24	-	-
Total	**7,083**	**2**	**0.06**	**4,715**	**2**	**0.08**
Securities loaned or sold in re-purchase agreements						
In Israel	-	-	-	-	-	-
Outside of Israel	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Bonds and subordinated notes						
In Israel	35,676	1,037	5.81	33,279	638	3.83
Outside of Israel	-	-	-	-	-	-
Total	**35,676**	**1,037**	**5.81**	**33,279**	**638**	**3.83**
Other liabilities						
In Israel	1,793	8	0.89	557	1	0.36
Outside of Israel	-	-	-	-	-	-
Total	**1,793**	**8**	**0.89**	**557**	**1**	**0.36**
Total interest-bearing liabilities	**251,819**	**2,508**	**1.99**	**231,325**	**1,567**	**1.35**
Non-interest bearing deposits from the public	105,624			96,174		
Payables for credit card transactions	5,461			4,629		
Other non-interest bearing liabilities[(8)]	12,750			10,720		
Total liabilities	**375,654**			**342,848**		
Total equity instruments	**22,976**			**20,479**		
Total liabilities and equity instruments	**398,630**			**363,327**		
Interest spread			**1.70**			**1.65**
Net return on interest-bearing assets[(9)]						
In Israel	369,297	4,448	2.41	336,677	3,625	2.15
Outside of Israel	15,882	149	1.88	16,102	101	1.25
Total	**385,179**	**4,597**	**2.39**	**352,779**	**3,726**	**2.11**
Total interest-bearing liabilities attributed to overseas operations	**4,913**	**9**	**0.37**	**4,201**	**3**	**0.14**

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[1] – Continued

Reported amounts (NIS in millions)

B. Average balances and interest rates – Further information about interest-bearing assets and liabilities attributed to operations in Israel

	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Average balance[2]	Interest revenues (expenses)	Revenue (expense) rate	Average balance[2]	Interest revenues (expenses)	Revenue (expense) rate
			in %			in %
Israeli currency – non-linked						
Total interest-bearing assets	283,764	1,897	2.67	259,754	1,587	2.44
Total interest-bearing liabilities	169,913	(250)	(0.59)	158,431	(205)	(0.52)
Interest spread			**2.09**			**1.93**
Israeli currency – linked to the CPI						
Total interest-bearing assets	72,260	1,832	10.14	66,729	1,360	8.15
Total interest-bearing liabilities	51,121	(1,142)	(8.94)	45,173	(787)	(6.97)
Interest spread			**1.21**			**1.18**
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest-bearing assets	17,210	134	3.11	13,336	86	2.58
Total interest-bearing liabilities	31,128	(110)	(1.41)	25,429	(56)	(0.88)
Interest spread			**1.70**			**1.70**
Total – operations in Israel						
Total interest-bearing assets	373,234	3,863	4.14	339,819	3,033	3.57
Total interest-bearing liabilities	252,162	(1,502)	(2.38)	229,033	(1,048)	(1.83)
Interest spread			**1.76**			**1.74**

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[(1)] – Continued

Reported amounts (NIS in millions)

B. Average balances and interest rates – Further information about interest-bearing assets and liabilities attributed to operations in Israel – Continued

	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	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	276,337	3,552	2.57	252,117	3,035	2.41
Total interest-bearing liabilities	164,783	(417)	(0.51)	154,777	(412)	(0.53)
Interest spread			**2.06**			**1.88**
Israeli currency – linked to the CPI						
Total interest-bearing assets	74,982	3,173	8.46	69,761	1,984	5.69
Total interest-bearing liabilities	53,862	(1,915)	(7.11)	48,822	(1,047)	(4.29)
Interest spread			**1.35**			**1.40**
Foreign currency (including Israeli currency linked to foreign currency)						
Total interest-bearing assets	17,978	222	2.47	14,799	170	2.30
Total interest-bearing liabilities	28,261	(167)	(1.18)	23,525	(105)	(0.89)
Interest spread			**1.29**			**1.40**
Total – operations in Israel						
Total interest-bearing assets	369,297	6,947	3.76	336,677	5,189	3.08
Total interest-bearing liabilities	246,906	(2,499)	(2.02)	227,124	(1,564)	(1.38)
Interest spread			**1.74**			**1.71**

Interest Revenues and Expenses Rates – of the Bank and its Subsidiaries[1] – Continued

Reported amounts (NIS in millions)

C. Analysis of changes to interest revenues and expenses

	For the three months ended June 30, 2022 – compared to the three months ended June 30, 2021			For the six months ended June 30, 2022 – compared to the six months ended June 30, 2021		
	Increase (decrease) due to change[10]			Increase (decrease) due to change[10]		
	Volume	Price	Net change	Volume	Price	Net change
Interest-bearing assets						
Loans to the public						
In Israel	491	255	746	795	853	1,648
Outside of Israel	22	3	25	33	-	33
Total	**513**	**258**	**771**	**828**	**853**	**1,681**
Other interest-bearing assets						
In Israel	(7)	91	84	-	110	110
Outside of Israel	(1)	22	21	(5)	26	21
Total	**(8)**	**113**	**105**	**(5)**	**136**	**131**
Total interest revenues	**505**	**371**	**876**	**823**	**989**	**1,812**
Interest-bearing liabilities						
Deposits from the public						
In Israel	72	233	305	100	429	529
Outside of Israel	1	3	4	1	5	6
Total	**73**	**236**	**309**	**101**	**434**	**535**
Other interest-bearing liabilities						
In Israel	85	64	149	138	268	406
Outside of Israel	-	-	-	-	-	-
Total	**85**	**64**	**149**	**138**	**268**	**406**
Total interest expenses	**158**	**300**	**458**	**239**	**702**	**941**

(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 June 30, 2022 and June 30, 2021, and for the six-month periods ended June 30, 2022 and June 30, 2021, we deducted (added) the average balance of unrealized gains (losses) from adjustment to fair value of bonds available for sale, included in equity under Cumulative Other Comprehensive Income, under "Adjustments with respect to presentation of securities available for sale at fair value", amounting to NIS (316) million, NIS (45) million, NIS (218) million and NIS (20) million, respectively.

(5) From the average balance of bonds held for trading, for the three-month periods ended June 30, 2022 and June 30, 2021, and for the six-month periods ended June 30, 2022 and June 30, 2021, we deducted (added) the average balance of unrealized gains from adjustment to fair value of bonds held for trading amounting to NIS 10 million, NIS (3) million, NIS 5 million and NIS (2) million, respectively.

(6) Includes derivative instruments, other non-interest bearing assets, net of provision for credit losses.

(7) Commissions amounting to NIS 169 million, NIS 191 million, NIS 388 million and NIS 333 million were included in interest revenues for the three-month periods ended June 30, 2022 and June 30, 2021 and for the six-month periods ended June 30, 2022 and June 30, 2021, respectively.

(8) Includes derivative instruments.

(9) Net return – net interest revenues divided by total interest-bearing assets.

(10) The change attributed to change in volume was calculated by multiplying the new price and the change in volume. The change attributed to change in price was calculated by multiplying the old volume and the change in price.

Glossary and index of terms included on the financial statements

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

B	**Basel – Basel II / Basel III** – Framework for assessment of capital adequacy and risk management, issued 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 due to mark-to-market with respect to expected counter-party risk for OTC derivatives. This means – loss due to impairment of fair value of derivatives, due to an increase in counter-party credit risk (such as: lower 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.
I	**ICAAP** – **Internal Capital Adequacy Assessment Process** by the Bank. This process includes, *inter alia*, setting capital targets, capital planning processes and review of capital status under various stress scenarios. This process is part of Pillar 2 of the Basel II directive.
L	**Loan To Value Ratio (LTV)** – The ratio between the approved facility when extended and the asset value.
	LGD (Loss Given Default) – Loss as percentage of credit should the client go into default.
M	**Minimum capital ratio** – This ratio reflects the minimum supervisory capital requirements which the Bank is required to maintain in conformity with Proper Conduct of Banking Business Directive 201.
P	**Pillar 2** – The second pillar of the Basel II project, refers to the Supervisory Review Process. This part consists of the following basic principles: The Bank shall conduct the ICAAP process, as defined above. The Supervisor shall conduct a process to assess the ICAAP process conducted by the Bank, to review the Bank's capacity to monitor and achieve supervisory capital ratios. The Bank is expected to operate above the specified minimum capital ratios.
	Pillar 3 – The third pillar of the Basel II project, designed to promote market discipline by developing a set of disclosure requirements, which would allow market participants to assess the capital, risk exposure and risk assessment processes – and use these to assess the Bank's capital adequacy.
	PD (Probability Of Default) – Probability in percent of a borrower going into default within a specified time.
R	**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 compiled and presented to the Board of Directors quarterly.
	Risk assets – These consist of credit risk, operational risk and market risk, calculated using the standard approach as stated 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 based on a formula, which is based on supervisory assessment components which have been specified by the Supervisor of Banks.
	Supervisory capital (total capital) – Supervisory capital consists of two tiers: Tier I capital, which includes Tier I capital, additional Tier I capital and Tier II capital. As defined in Proper Conduct of Banking Business Directive 202 "Measurement and capital adequacy – supervisory capital".
	Subordinated notes – Notes whose rights are subordinated to claims by other Bank creditors, except for other obligations of the same type.
	Stress tests – A title for various methods used to assess the financial standing of a banking corporation under a n extreme scenario.
V	**VaR** – A model used to estimate overall exposure to diverse market risk factors. 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	**Average effective duration** – The average term to maturity of debentures. Measured in years, by weighting principal and interest payments for the debenture over its term to final maturity. The average effective duration of a debenture reflects the financial instrument's sensitivity to changes in interest rates. Average effective duration is calculated as the ratio between the weighted average debenture payouts to its price.
	Active market – A market where transactions involving an asset or liability take place regularly and in sufficient volume, so as to regularly provide information about pricing of assets and liabilities.
D	**Debentures** – Securities which are obligations by the issuer to pay to the debenture holder the principal issued plus interest, on specified dates or upon realization of a specified condition.
	Debt whose collection is contingent on collateral – Impaired debt whose repayment is expected through realization of collateral provided to secure such debt.
	Debt under restructuring – Problematic debt under restructuring 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 and conditions of the debt, designed to make it easier for the debtor to make cash payments in the near term (reduction or postponement 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, which require special attention by Bank management. Should these weaknesses not be addressed, the likelihood of debt repayment may deteriorate.
	Derivative – A financial instrument or contract whose value changes in response to changes in the price of the underlying asset (a financial instrument, physical asset, index, credit rating or other underlying asset), requires a small or minimal initial investment, compared to other contract types, and is expected to be settled on a future date.
F	**Financial instrument** – A contract that creates a financial asset for one entity and a financial liability or capital instrument for another entity.
I	**Inferior debt** – Inferior debt is debt insufficiently secured by collateral or by debtor repayment capacity, and for which the Bank may incur a loss if faults are not corrected, including debt over NIS 700 thousand which is 60-89 days in arrears.
	Impaired debt – Debt is classified as impaired when its principal or interest is in arrears over 90 days, unless the debt is well secured and is in collection proceedings. Further, any debt whose terms and conditions have been changed in conjunction with restructuring of problematic debt would be classified as impaired debt, unless prior to and following such restructuring, a provision for credit losses by extent of arrears was made with respect to the debt pursuant to the appendix to Proper Conduct of Banking Business Directive 314 on problematic debt in housing loans.
	Indebtedness – On- and off-balance sheet credit, as defined in Proper Conduct of Banking Business Directive 313.
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, premium or discount yet to be amortized, net deferred commissions or net deferred costs charged to the debt balance and yet to amortized, net of the debt amount subject to accounting write-off.
S	**Syndication** – A loan extended jointly by a group of lenders.

Terms with regard to regulatory directives

F	**FATCA - Foreign Accounts Tax Compliance Act** – The US Foreign Accounts Tax Compliance Act 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 benchmark for the Bank's capacity to fulfill its liquidity needs for the coming month.

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