Leumi | Risk Management Report

As of December 31, 2024

The Risk Management Report appears on the Bank's website at: www.leumi.co.il > About us > Financial information > Disclosure under Pillar 3 of the Basel Accord and Additional information on risks, as well as on the Magna website of the Securities Authority at: www.magna.isa.gov.il.

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[1] For information regarding the acronyms in names of the disclosures, see the legend at the end of the report.

Part 1 - General information

Risk Management Report

We are pleased to present the Risk Management Report as at 31 December 2024 (hereinafter: the "Risk Management Report") of Bank Leumi Le-Israel Ltd. (hereinafter: the "Bank"). The Risk Management Report has been prepared in accordance with the directives and guidance of the Supervisor of Banks regarding the disclosure requirements outlined in Pillar 3 of the Basel Accord, as adopted as part of the reporting directives of Bank of Israel, and includes additional risk information.

This report constitutes supplementary information that accompanies the Bank's consolidated financial statements and the Report of the Board of Directors and Management as at 31 December 2024, and should be read along with the information presented therein.

Uri Alon
Chairman of the Board

Hanan Friedman
President & CEO

Ronen Mori
First Executive Vice President, Head of Division
Risk management

March 3, 2025

Purpose and disclosure principle

The purpose of this report is to enable users to evaluate significant information included therein regarding the implementation of the Basel Committee working framework, capital, risk exposure, and risk assessment processes.

The information in this report includes:

- Disclosure requirements published by the Basel Committee (Pillar 3 disclosure requirements).
- Risk disclosure requirements based on other sources, including disclosure requirements published by the Financial Stability Board (FSB) via the Enhanced Disclosure Task Force (EDTF).
- Additional disclosure requirements pursuant to the Bank of Israel's reporting directives and guidance (additional information).

The report was prepared according to the requirements of the Banking Supervision Department under the Pillar 3 disclosure requirements, as well as additional information about risks, as periodically updated, and according to the following principles:

- Regarding quantitative data included in previous disclosures under the Pillar 3 disclosure requirements or other disclosure requirements as mentioned above, comparative data have been provided for the parallel periods in the previous reporting year, as prescribed by the directives.
- The information is partially based on the financial data presented in the Bank's financial statements, which are used as the basis for calculating regulatory ratios - with the necessary adjustments - and partially on internal assessments and models. As a result, some of the information constitutes unaudited estimates and/or represents information which is considered forward-looking.
- The qualitative information regarding exposure to risks and their treatment is mostly detailed in this report. Additional relevant information may be found under Risk Review in the 2024 Report of the Board of Directors and Management (hereinafter: "Report of the Board of Directors and Management").

In addition, the Bank adopted leading worldwide disclosure practices, as set by the TCFD in the field of climate.
For more information regarding climate and environmental risk, please see the Bank's Environmental, Social and Governance (ESG) Report for 2024.

Forward-looking information

The Risk Management Report includes, in addition to data relating to the past, information and assessments relating to the future, defined in the Securities Law, 1968, as "forward-looking information." Forward-looking information relates to a future event or matter, the materialization of which is uncertain and not under the Bank's exclusive control.

Forward-looking information is generally worded using the following words or phrases: "the Bank believes", "the Bank foresees", "the Bank expects", "the Bank intends", "the Bank plans", "the Bank estimates", "the Bank's policy", "the Bank's plans", "the Bank's forecast", "expected", "strategy", “targets", "likely to impact", “estimate”, “scenarios”, “likely”, “may”, “can”, “will be”, “optimistic”, “pessimistic” and additional phrases indicating that the matter in question is a forecast of the future rather than past facts.

Forward-looking information included in the Risks Report is based, *inter alia*, on forecasts of various matters related to economic developments in Israel and abroad, especially the currency markets and capital markets, legislation, regulators’ directives, competitors’ behavior, technological developments, the geopolitical and security situation in Israel, and human resources issues.

As a result of the inability to foresee with certainty that these forecasts will be realized, and the fact that, in reality, events may differ from those forecasted, users should treat information defined as "forward-looking" with caution, since reliance on such information involves risk and uncertainty and the future financial and business results of the Leumi Group may be materially different.

The Bank does not undertake to publish updates on forward-looking information included in its reports. This does not derogate from the Bank's reporting obligations in accordance with any law.

Scope

a. The Group is regulated by the Supervisor of Banks of the Bank of Israel on a consolidated basis. The consolidation of the consolidated companies and the recording of the associates’ book value are in accordance with the directives and guidelines of the Banking Supervision Department. These directives basically adopt the US GAAP. As at 31 December 2024, there were no differences between the consolidation basis according to the accounting principles and the regulatory consolidation basis for capital adequacy purposes. As required in the Bank of Israel directives, the information presented as part of the regulatory disclosure requirements pursuant to the Basel directives included in this report are presented on a consolidated basis only and are based on the financial information presented in the financial statements, with the adjustments necessary after implementing the Basel Accord provisions (such as: capital deductions, debt instruments eligible for inclusion in the regulatory capital, special treatment of accounting impact with respect to the efficiency plan of the Bank’s capital and adjusted calculation for special actuarial liabilities).

b. As at December 31, 2024, the Bank’s operations through its overseas desks are in the UK only.

Part 2 - Primary regulatory relationships, risk management review and weighted risk assets

Primary regulatory relationships (KM1)

	On a consolidated basis, as at:	a December 31 2024	b September 30 2024	c June 30 2024	d March 31 2024	e December 31 2023
	Available capital (In NIS millions)					
1	Common Equity Tier 1 capital[a][f][g]	**61,255**	59,703	58,151	56,427	53,892
1A	Common Equity Tier 1 capital, before the effect of adjustments for the efficiency plans	**61,255**	59,703	58,151	56,420	53,876
2	Tier 1 capital[a]	**61,255**	59,703	58,151	56,427	53,892
2A	Tier 1 capital, before the effect of adjustments for the efficiency plans	**61,255**	59,703	58,151	56,420	53,876
3	Total capital[a][f][g]	**74,627**	73,069	72,676	70,725	68,033
3A	Total capital, before the effect of adjustments for the efficiency plans	**74,627**	73,069	72,676	70,718	68,017
	Risk-weighted assets (in NIS millions)					
4	Total risk-weighted assets (RWA)[a][g]	**503,279**	494,649	483,092	470,873	462,176
	Capital adequacy ratios, as per the Banking Supervision Department's directives (in %):					
5	Common Equity Tier 1 capital[a][f][g]	**12.17%**	12.07%	12.04%	11.98%	11.66%
5A	Common Equity Tier 1 capital ratio, before the effect of adjustments for the efficiency plans	**12.17%**	12.07%	12.04%	11.96%	11.61%
6	Tier 1 capital ratio[a]	**12.17%**	12.07%	12.04%	11.98%	11.66%
6A	Tier 1 capital ratio, before the effect of adjustments for the efficiency plans	**12.17%**	12.07%	12.04%	11.96%	11.61%
7	Total capital ratio[a]	**14.83%**	14.77%	15.04%	15.02%	14.72%
7A	Total capital ratio, before the effect of adjustments for the efficiency plans	**14.83%**	14.77%	15.04%	15.02%	14.72%
11A	CET1 capital ratio set by the Banking Supervision Department[b]	**10.24%**	10.23%	10.23%	10.23%	10.22%
12A	Available CET1 capital ratio, beyond that set by the Banking Supervision Department[b]	**1.93%**	1.84%	1.81%	1.75%	1.44%
	Leverage ratio pursuant to the Banking Supervision Department's directives[c]					
13	Total exposures (in NIS millions)	**882,958**	851,607	831,575	842,693	810,014
14	Leverage ratio (in %)	**6.94%**	7.01%	6.99%	6.70%	6.65%
14A	Capital ratio, before the effect of adjustments for the efficiency plans (in %)	**6.94%**	7.01%	6.99%	6.70%	6.65%
	Liquidity Coverage Ratio Pursuant to the Directives Issued by the Banking Supervision Department[d]					
15	Total high-quality liquid assets (in NIS millions)	**185,804**	171,640	198,014	206,891	166,472
16	Total cash outflows, net (in NIS millions)	**151,567**	138,027	152,378	155,675	134,420
17	Liquidity coverage ratio (in %)	**123%**	124%	130%	133%	124%
	Net stable funding ratio pursuant to the Banking Supervision Department's directives[e]					
18	Total available stable financing	**442,344**	430,109	428,318	422,444	416,747
19	Total required stable financing	**375,011**	373,043	362,178	355,858	353,357
20	Net stable funding ratio (in %)	**118%**	115%	118%	119%	118%

Please see comments on the next page.

Comments:

a) The data, up to 31 March 2024, include adjustments in respect of the efficiency plans in accordance with the directives of the Banking Supervision Department, which decrease gradually. On June 30, 2024, the adjustments in respect of the efficiency plan were fully reduced.

b) The minimum Common Equity Tier 1 capital ratio required and the minimum total capital ratio required as of December 31, 2024 are 10.24 percent and 13.5 percent, respectively. In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans, excluding housing loans granted during the temporary order term. For more information about the temporary order for addressing the coronavirus crisis, please see the chapter entitled The Banking Corporation’s Approach to Assessment of Capital Adequacy.

c) For more information on the leverage ratio, see Part 4 further in the report.

d) The Bank's liquidity coverage ratio was calculated according to average daily observations during the reported quarter. For more information on the liquidity coverage ratio, see Part 7 further in the report.

e) For more information on the net stable funding ratio, see Part 7 further in the report.

f) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024.

g) On September 5, 2022, the Bank’s Board of Directors approved, after obtaining the approval of the Banking Supervision Department, to change the manner in which pension liabilities are measured for regulatory capital purposes. According to the new measurement method, each quarter, the Bank will calculate the change in the pension liabilities resulting from changes in the discount interest rate, net of the change in the value of assets pre-designated to hedge these liabilities. The change in the net pension liabilities, after tax, will be spread in a linear fashion, over four quarters, as of the quarter for which the calculation had been made. The new method will be implemented starting on July 1, 2022 and will be in effect until the earlier of the two: a) The financial statements as at December 31, 2029 (inclusive) or b) The reporting date on which the average pension liabilities across the last four quarters will be lower than NIS 10 billion, linked to the CPI (from the known CPI as of July 1, 2022 to the known CPI on the relevant reporting date).

For more information regarding these indices, including a detailed quantitative disclosure, see further in this report.

The banking corporation's approach to risk management (OVA)

The Bank's business activity involves managing financial and non-financial risks. The key financial risks managed by the Bank are as follows: credit risks, which are integral to the Bank's core business, as well as market and liquidity risks. In addition to financial risks, the Bank's activity poses non-financial risks, the management of which is a necessary precondition to meeting the Group's ongoing and long-term goals. These risks include operational risks, such as technology risks, cyber risks, regulatory risk, compliance risk, legal risk, reputational risk, strategic risk, model risk, climate-related risk, conduct risk, and macroeconomic risk.

Leumi's risk strategy management is to maintain the Group's stability and support the achievement of its business objectives. These objectives are achieved while meeting the predefined risk appetite, the policy and the limitations deriving therefrom, which form the boundaries for the Bank's business activity. The risk management framework includes mechanisms for identifying and estimating risks, defining the corporate structure and areas of responsibility for managing risk as well as putting in place adequate control and reporting mechanisms.

The Bank continually upgrades its risk management infrastructure and analyzes the risk outlook, to enable informed decision-making.

The framework used for estimating and managing risk and decision-making includes the following:

a. The risk appetite - which outlines the boundaries of the business activity, both in the regular course of business and under stress scenarios, and which defines, inter alia, the policy and risk boundaries for each type of risk - is established, according to the Group's strategic objectives.
b. Workflows are established for analyzing and managing risk at the individual transaction level, according to different parameters that separate different types of transactions, as well as at the portfolio level.
c. Periodic risk assessment reports are prepared, addressing the changes in the Bank's environment and evaluation of the consequences of scenarios with varying levels of severity.
d. Action plans for handling and mitigating risk are drawn.

The risk management methods and work procedures are regularly assessed and updated, taking into account the changes occurring in the business environment and the requirements of the Bank of Israel and other regulators.

Risk assessments are made at the Group-, activity- and individual transaction level, using several structured methodologies; some are based on expert assessments in each area of activity while others are based on various types of statistical models. Changes in the Israeli and global risk environment and in the risk, perception require Leumi to periodically assess the need to update its assessments and the methodologies it uses, which are challenged by in-house parties and, from time to time, with the assistance of external experts.

Additional information regarding risk exposure and assessment

Corporate governance structure for managing the risks at the Bank, processes, and key functions.

Leumi's risk management is based on three lines of defense, as required by Proper Conduct of Banking Business Directive No. 310 - "Risk Management".

1. First line of defense – the managements of the business lines, including supportive functions and LeumiTech, bear full responsibility for managing the risks embodied in the products, operations, processes and systems under their purview, and for implementing an adequate control environment over their activities, through processes of identification, measurement, monitoring, control, mitigation and reporting.
2. Second line of defense – The Risk Management Division is an independent function responsible for planning and developing a comprehensive risk management framework for the Bank. The Risk Management Division's main areas of responsibility conform to the requirements of the Proper Conduct of Banking Business Directive No. 310, including: Responsibility for risk management at the Group and Bank levels; creating an up-to-date overall picture of each risk for decision-making purposes; leading the drafting of Leumi's risk policy for all major risks; assisting the Board of Directors in determining the Bank's risk appetite; and leading the process of evaluating the Internal Capital Adequacy Assessment Process (ICAAP), including its various components.

   The second line of defense involves additional functions, such as: the Bank's Chief Legal Counsel - who is responsible for the management of legal risk and the Chief Accountant - who is responsible for financial reporting and SOX.
3. Third line of defense - The Internal Audit Division, which reports directly to the Board of Directors. The Internal Audit Division is responsible for conducting an independent, objective audit and for challenging controls, processes and automated systems in the banking corporation. The audit is usually performed retrospectively on the first and second lines of defense, ensuring implementation of the legal provisions and instructions of management and the Board of Directors.

The Bank's Board of Directors is responsible, inter alia, for developing the overall risk strategy, including: The risk appetite; supervision of the Group's risk management framework; approval of the corporate structure; approval of the risk management policy for each material risk; overseeing and challenging the risk levels to which the Group and the Bank are exposed, while ensuring compliance with the risk appetite and the provisions of the law and regulations.

The Chief Risk Officer, who is a member of the Bank's management and heads the Risk Management Division, is responsible for managing the Group's and Bank's main risks.

Reporting to the Chief Risk Officer are department managers and managers of the following risk management units (second line of defense), which report to the Risk Management Division – including credit risks, market risks, compliance risks, operational risks, technological risks, cyber risks, and models risks.

The Bank strives to apply a risk management framework at the Group level, which includes corporate governance and control principles that are in line with the provisions of the law and local regulations. A chief risk officer is appointed for each of the main Israeli subsidiaries and the UK office, reporting to the subsidiary's CEO and professionally (dotted line) to the Group's Chief Risk Officer.

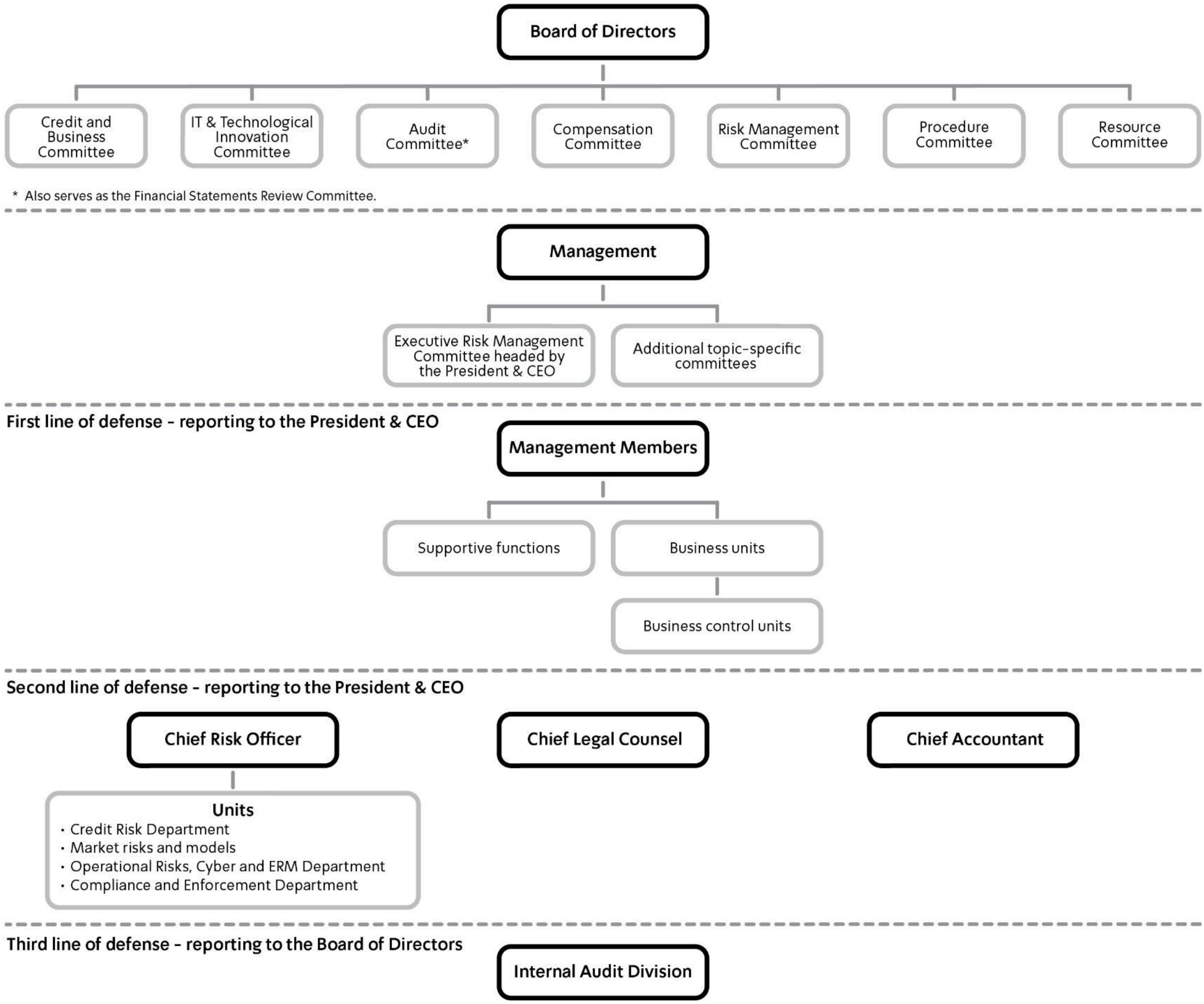
Risk management command and control is conducted by the committees responsible for managing the various risks. The various committees discuss aspects of the various risk exposures, direct the development of policy papers; examine the risk profile, methodologies and models for measuring exposure, and prescribe internal boundaries and control processes in accordance with the market conditions and the Bank's risk appetite. Below is a breakdown of the committees:

- The Board of Directors' Risk Management Committee
- Board of Directors' Audit Committee
- Board of Directors' Credit and Corporate Committee
- Committee on Information Technology and Technological Innovation Matters

- The Executive Risk Committee, which is headed by the CEO
- Various risk management committees by topic, headed by the Chief Risk Officer, with the participation of the relevant business entities:
  - Executive Credit Risks Management Committee
  - Executive Market Risks Management Committee
  - Executive Operational Risk Management Committee
  - Executive Risks Management Committee at the Bank's UK Desk
  - Executive Models Risks Management Committee
  - Total Return Risk Committee
  - Executive New Product Risks Management Committee
- Executive Compliance Risk Management Committee headed by the Chief Compliance Officer
- Committee for Managing Cross-Border Banking and Foreign Security Trading Services headed by the Chief Compliance Officer
- Disclosure Committee on the effectiveness of disclosure controls and procedures for the financial statements and changes in the internal control over financial reporting – SOX, headed by the President and CEO and whose members include all of members of management.

The subsidiaries manage risk in accordance with the principles prescribed at the Group level, with their policy papers corresponding to the Group's policy and reflecting relevant changes, as needed. Risk appetite, boundaries and permissions are established for each risk area, with control systems in place and periodic management reports examining the boundaries against the actual situation; supervision is exercised by each subsidiary's Board of Directors.

The Bank's Corporate Governance for Risk Management



The risk management culture and its implementation

The Leumi Group maintains an organizational culture based on robust risk management, which is key to effective risk management. The Risk Management Division is involved in, and leads, the Group's key processes, in order to ensure that risk management processes are incorporated into the business activity. In addition, the Bank believes in, and conducts ongoing training, to both reinforce the professionalism of the personnel involved in the Group's risk management and assimilate the risk management culture and risk management principles in various business lines.

The key principles underlying the Bank's risk culture are as follows:

- Corporate governance comprising three lines of defense (the business lines, independent risk management and internal audit).
- The Group's risk appetite and policy for managing various risks are approved by the Board of Directors. In addition, broad processes are held, such as the ICAAP, stress scenarios and integrating risk management into the Bank's work plan. The business activity and risk management and controls are organized effectively in order to minimize conflict of interest among the employees and Group-level units. The employees' professional level corresponds to the complexity of their functions and the risks they manage.
- Comprehensive differential risk management - Managing all material risks and their interfaces, while taking into account overlap between the risks.
- Upholding of an organizational structure and defined powers that support and reinforce the understanding of the responsibility and authority of the entities responsible for risk management.
- The risk management culture at the Bank encourages open communication, information sharing, and consulting across the length and breadth of the organization, which constitutes an additional level that assists with the decision-making process.
- The Bank has tools for identifying and evaluating risks and regulating supervision, auditing, and reporting means.
- Introducing a new product approval process - A policy was defined for approving new products, making significant changes in existing products or activities and entering new markets. The approval process involves examining the risks embodied in each new product and their effect on the risk profile.
- The Bank promotes and implements a culture of corporate fairness, taking the customer's needs into consideration.
- The Bank views managing climate and environmental risks as an integral part of its business operations and the overall risk-management framework. In its perspective, the Bank's risk management culture will address the management of these risks as an integral part of the Bank's main risk management.
- The Bank's activity is managed pursuant to the principles of its Code of Ethics, which reflect the Bank's core values.

The Internal Capital Adequacy Assessment Process (ICAAP)

The Capital Adequacy Assessment Process (ICAAP) is aimed at calculating the capital required to support the various risks to which the Group is exposed - both in the ordinary course of business and under stress scenarios - in order to ensure that the Group's effective capital exceeds the capital requirements at any given time. As part of the process, the risk appetite and the risk tolerance were examined, and a comprehensive mapping and assessment process was conducted for the risks to which the Group is exposed.

According to the process, the Bank is in possession of adequate capital and liquidity to handle all of the risks identified - both in the ordinary course of business and under extreme stress scenarios.

The products of the process are summarized in the ICAAP paper that is submitted to the Banking Supervision Department each year.

The Group's risk appetite

The Group's risk appetite outlines the boundaries for its business activity, both on an ongoing basis and under stress scenarios. The risk appetite is adjusted to Leumi's strategy and to the boundaries of its current and future business focal points. The risk appetite addresses Leumi's risk identification, measurement, control, management and mitigation practices, which have direct impact on the Group's residual risk profile. The risk appetite boundaries are re-examined each year in the various dedicated frameworks and approved from an overall perspective at the Board of Directors' level as part of the ICAAP process.

The Group's risk appetite statement covers the scope and types of aggregate risk the Bank is willing to take in order to achieve its business goals. For this purpose, quantitative and qualitative measures were set, based on forward-looking assumptions. The risk appetite paper constitutes a reference point for all risk-specific policy papers, which outline additional risk boundaries and risk management guidelines.

Using Stress Testing as Part of Risk Management

Using a uniform stress test is an accepted global practice; it is required under the Basel Committee rules and contributes to understanding the risks which the banking system and a single bank are exposed to. The process strengthens the banking system's transparency, allows to examine the resilience of banking corporations under adverse market conditions and draw comparisons. The process supports methodology improvements and the understanding of the risk factors by banking corporations as well as by the Banking Supervision Department.

As of 2012, the Bank of Israel's Banking Supervision Department conducts macroeconomic stress tests for the banking system, based on a uniform scenario. In the framework, the Bank estimates the results of the test using a variety of models and methodologies based on subjective "expert assessments".

During the second quarter of 2024, the effects of the uniform stress scenario – as defined by the Bank of Israel - for 2023 were assessed which constituted a regional war scenario.

The Banking Supervision Department incorporates the results of the uniform stress scenario as a complementary component of the Supervisory Review and Evaluation Process (SREP), including a quantitative and qualitative analysis. At the same time, the banking corporations are required to integrate the uniform stress test into a single process to assess the capital adequacy (ICAAP).

The Leumi Group also implements a set of internal stress tests, updated on a regular basis, with the aim of assessing key risk focal points, taking into account various developments in the Bank's environment.

The impact of the most severe stress tests is also examined with respect to the Group's capital planning, in order to ensure the Group's compliance with all of the regulatory and internal restrictions set for the materialization of the various scenarios.

Risk Profile - Defining Risk Factors' Severity

Leumi's risk profile is examined on a quarterly basis, as part of the risk exposure report reported to the Board of Directors each quarter. The risk profile is examined, inter alia, by using a methodology for classifying the severity level of exposures to different risks. The methodology is based on quantifying the effect of various scenarios materializing on the Group's capital, i.e. its stability, and includes "expert assessments" by relevant functions in the Bank.

In the fourth quarter of 2024 it had been decided to lower the level of severity of the local systemic risk from "high" to "moderate-high", against the background of the recovery of growth in the third quarter of 2024, as well as the expectation of accelerated growth in 2025, and in light of the improvement in Israel's market-based risk indices.

The improvement of the Israeli market-based risk indicators is expressed in the reduction of the various returns of government bonds from the peak levels (for example, Israel - the United States in foreign currency) Israel's CDS premium, renewed strengthening of Israel's share market compared with other markets.

For further information see the Chapter Risk Exposure and Management Thereof in the Board of Directors' and Management' report as at December 31, 2024.

The "Iron Swords" War

Commencing October 7, 2023, the State of Israel has been in a war that has been forced upon it - the "Iron Swords" War. The War has led to significant disruptions in the economic activity, which were expressed by a substantial decrease in GDP in the fourth quarter of 2023. 2024 was characterized by return to activities against the background of the War, as well as partial and gradual recovery from the effects of the War. Among the main areas of activity that were significantly impaired due to the War, activity of which has not yet returned to their level prior to the War, the foreign tourism, construction and agriculture sectors should be noted.

For further information regarding the changes in the construction industry see the chapter titled "Risks in the Construction and Real Estate Industries further in this report.

2024 concluded with a significantly lower growth rate than that estimated prior to the War, as the forecast for 2025 onwards depends on the security developments. So long as the cease fires in the northern and the southern fronts continue, this is expected to assist in accelerating the economy's recovery process, and in reducing and risks related to the markets' sentiment toward Israel.

Against the background of the War and its immediate and long-term implications regarding Israel's economic activity and Israel's fiscal situation, Israel's credit rating has been lowered, and the rating outlook has been lowered to negative by all the leading rating firms. The improvement that took place in the economy's risk environment may be expressed by Israel's rating and rating outlook later on. On January 21, 2025, the rating firms Moody's and Fitch published reports with a positive message, according to which the risk of a further deterioration of Israel's credit rating was halted, and now, depending on the continued stability, the direction may be positive.

Israel's Credit Rating as of the Date of Approval of the Report

Credit rating firm	Credit Rating	Rating outlook	Last update
S&P	A	Negative	October 1, 2024 Lowering the rating while leaving a negative outlook
Moody's	Baa1	Negative	September 27, 2024 Lowering the rating by two notches while leaving a negative outlook
Fitch	A	Negative	August 12, 2024 Lowering the rating while leaving a negative outlook

A one-notch downgrade in the credit rating of the State of Israel by the Fitch rating agency and/or by S&P is not expected to directly affect the Bank's capital adequacy ratios.

For details concerning the possible impact of lowering the State of Israel's rating on the bank's capital adequacy ratio see the chapter "Additional Information on the Capital and Capital Adequacy Ratio".

For more information, please see the section entitled "Main Developments in the Israeli Economy" in the Report of the Board of Directors and Management as at December 31, 2024.

Leumi, as a vital business in times of emergency, has prepared to maintain consecutive operation at all times and to deal with external and/or internal events whose occurrence is liable to cause significant operational disruptions in the Bank's business operations.

Against the backdrop of the War, the Bank of Israel issued directives and supervisory emphases for the banking system.

For more information on all the relevant publications of the Bank of Israel, please see the section entitled "Laws and Regulations Governing the Banking System" in the Corporate Governance Report as at 31 December 2024.

In the credit risk aspect, there is still uncertainty, although at a lower intensity, in respect of the War's effects, and therefore it is not possible to accurately assess the intensity of the potential harm to the Bank's credit portfolio, which depends, *inter alia*, on the developments as aforementioned.

These potential consequences, as well as reference to sectors exposed to the effects of the War, are expressed in the calculation of the collective provision for loan losses.

For further information, please see the chapter "Credit Risk".

In the aspect of market risks, the war and the related challenges establish uncertainty in the financial markets and the fluctuations in them may continue, albeit to a lesser degree.

The Bank's assessments regarding the implications of the War, including the severity of all risk factors - future profitability of the Bank, capital and liquidity ratios - are uncertain and may change in accordance with the security developments and their and impact on the economy and the Bank's business.

For the Bank's liquidity coverage ratios and capital ratios, please see the sections entitled "Liquidity Risk" and "Capital and Capital Adequacy".

Some of the above information constitutes "forward-looking information". For the meaning of the term, please see the chapter "Forward-Looking Information".

Investment in Valley shares

Commencing April 1, 2022, the Bank held approximately 14.2 percent of Valley National Bancorp's share capital ("Valley") and it is not a controlling shareholder.

The Bank handles its investment in Valley according to the equity method and classifies the investment in Valley as a foreign operation whose functional currency is other than the new shekel.

On November 8, 2024, Valley conducted an issuance of ordinary share capital in the scope of approximately USD 450 million. Following the issuance, the Bank's holding rate of Valley shares decreased to the rate of 13.05%. The decrease in the holding rate of Valley has no significant impact on the Bank's results in 2024.

In the second quarter of 2024 the Bank recorded a depreciation due to the investment in Valley in the sum of approximately NIS 0.6 billion after the tax effect. In view of the impairment of the Valley shares as from the beginning of 2024, the Bank examined the need for an impairment of the investment in Valley's shares as recorded in the Bank's books.

For further information, please see Note 15A to the financial statements as of December 31, 2024.

Most material leading and emerging risks

In recent years, major emerging risks arise from the Bank's operating environment, which has been highly affected by risks related to regulation and legislation, a volatile macroeconomic environment, and changes in the business model - including the transition to digital "new banking" and new social and consumer trends. In recent years, due to the changes in the competitive environment, consumer environment, regulatory environment and technological environment, non-financial risks have been on the rise.

Following are the most material leading and emerging risks:

Information security and cyber risk

During the reporting period the trend of increasing cyber-attacks on financial organizations in Israel and around the world, including Leumi, as well as on entities in their supply chains continues. The outbreak of the War led to an additional increase in attacks and in risk, for which Leumi increased its preparedness.

These attempts had no business effect, with very few having a negligible effect on service.

The characteristics of the potential attacks are varied and include ransomware attacks, phishing and social engineering attempts. The probability of exposure to a cyber event materializing increases as a result of a wider use of digital channels by customers and extensive and remote work by employees and suppliers.

Leumi takes several steps to mitigate the risks, including: implementing preventive and detective controls, conducting information security surveys, boosting monitoring to remove fictitious websites, rendering authorization management and control processes more stringent, and increasing awareness to information security guidance among the employees.

During 2024, no cyber incidents were discovered which affected Leumi's financial statements.

Macroeconomic Risk

Global economic activity continues to expand, but at a slower pace compared to previous years, primarily due to the cumulative impact of inflation exceeding target levels in most countries and the rise in the interest rate environment. Inflation was, until recently, a moderating trend but has yet to fully converge toward a stable price environment in most countries. At the same time, growth and employment data in most economies indicate a certain slowdown. Against the background of the convergence of inflation and slowing growth, some of the central banks in the developed economies began lowering the interest rate, including the USA, the Eurozone and England, but a process for reducing interest in some of the countries, including the USA, is expected to be limited compared to the earlier estimates. Likewise, stock markets during 2024 were characterized by price fluctuations. Major risks for global financial activities include, among other factors, the escalation and expansion of significant geopolitical events, political risks fueling social unrest, and extreme weather events that reignite global inflation and disrupt economic activity. 2024 was characterized by return to activities against the background of the War, as well as partial and gradual recovery from the effects of the War. Among the main areas of activity that were significantly impaired due to the war, activity of which had not yet returned to their level prior to the war, the foreign tourism and agriculture sectors should be noted.

For further information regarding the changes in the construction industry see the chapter titled “Risks in the Construction and Real Estate Industries further in this report.

2024 concluded with a significantly lower growth rate than that estimated prior to the War, as the forecast for 2025 onwards depends, *inter alia,* on the security developments. As long as the current situation continues, this is expected to assist in accelerating the economy’s recovery process, and in reducing and risks related to the markets’ sentiment toward Israel.

Against the background of the War and its immediate and long-term implications regarding Israel’s economic activity and Israel’s fiscal situation, Israel’s credit rating has been lowered, and the rating outlook has been lowered to negative by all the leading rating firms.

For details concerning the possible impact of lowering the State of Israel’s rating on the bank’s capital adequacy ratio see the chapter “Additional Information on the Capital and Capital Adequacy Ratio”.

For more information, please see the section entitled “Main Developments in the Israeli Economy” in the Report of the Board of Directors and Management as at December 31, 2024.

Strategic Risk

The financial industry and banking sector are experiencing significant changes affecting strategic risk and requiring adjustment to the business model, including: Entry of new actors, FinTech, insurance companies, non-banking credit companies and digital banks, regulatory changes supporting and encouraging competition, such as open banking initiative, a rated license for a bank, tools for supervising the bank for comparing between banks in various aspects, and more.

The Bank's strategic plan is for three years, and has been approved by management and the Board of Directors. The strategic plan is set following an extensive process of examining trends and changes in the business environment, competitive environment, technological environment and customer preferences, in an effort to identify threats and opportunities. During 2024 a process of planning and defining the strategy, the indicators and strategic goals has been conducted, upon completion thereof a discussion was held by the Bank's management for approving the work plan and strategy, including the Risk Management Department's stance as a secondarily line for managing this risk.

IT risk

Leumi attributes great importance to ensuring that the technological infrastructure servicing its customers and employees will enable business and operational availability and continuity, and invests considerable resources to that end.

Leumi is implementing a business-technological plan to achieve its business goals in the coming years. The plan is subject to stringent corporate governance.

Regulatory Risk

The Leumi Group operates in a complex and multi-dimensional environment. Continuous material changes in a variety of regulatory fields require adequate, ongoing preparations by the Bank.

The Bank works consecutively to monitor, identify, collect, and evaluate the regulatory directives relevant to its operations, in order to ensure that it is prepared for regulatory changes and updates applicable to it and material trends developing in the field, all as part of the Bank's overall operations and the formulation of its corporate and strategic objectives. Regarding international regulation, the Bank works to identify relevant information in defined areas and to analyze the information in order to identify international trends in the areas of operation of relevant authorities in the USA, European Union, and England that could influence the Bank's operations.

Recently, several regulatory initiatives were promoted in Israel for the purpose of promoting competition in the financial sector, including in the field of open banking. As such, *inter alia,* the Competition Authority summoned the five largest banks in the banking system, including the Bank, to a hearing before declaring the banks as a concentration group in the supply of the basket of services to households and small businesses and issuing directives regarding deposits. Additionally, various legislation amendments were promoted, enabling, inter alia, entry of non-banking entities to the payment services domain; as well as launching new financial funds similar in their characteristics to deposits, while excluding them from the Consulting Law and expansion of their distribution channels. In addition, inter-office teams were formed to examine legislative initiatives in different areas, including: a graded outline of licensing and regulation for non-banking bodies; reduction of regulatory arbitrage for investment and short- and medium- term savings instruments; assessment of the use of AI in the financial sector; assessment of possible changes to the fees and remuneration structure in the public's securities operations. Some of these teams published interim reports that include their interim recommendations. At the same time, additional regulatory initiatives are promoted concerning customer-Bank relations and conduct, and particularly in the commission field; directives concerning the risk management field, including environmental, social, and governmental risks (ESG); directives concerning prohibition of money laundering and prohibition of financing terrorism risks; directives concerning privacy protection and information security; as a call for comments and public positions had been published regarding the criteria considered in the process of examining banks' applications for closing permanent branches.

In addition, against the backdrop of the Iron Swords War and its consequences for the Israeli population and economy, various regulatory measures were promoted, with the aim of ensuring the banking system's business continuity and continued provision of services, with the goal of providing the assistance required for customers of the banking system, showing more sensitivity to the customers' needs and difficulties. As such, inter alia, as part of the legislative amendments to achieve the budget targets for 2024, a law was published determining that in 2024 and 2024, a special payment will be collected from banks that are not banks with a minor scope of activity (a bank whose assets under management value is less than 5 percent of the asset value of all the banks in Israel) as a temporary order due to the Iron Swords War.

For further details regarding material regulatory initiatives published during the reporting period, please see the chapter "Legislation and Regulation Concerning the Banking System in the Corporate Governance Report as at December 31 2024.

Construction and real estate industry risk

The construction and real estate sector is an area of activity to which the Bank has a significant credit exposure, among other things in view of the natural demand for housing in Israel, which increases over time, the fact that the credit is backed by real collateral.

Credit granted to the real estate sector is in line with the Bank's risk appetite, in accordance with strict underwriting, a stringent financing and supervision method, property collateral and adequate pricing.

In the residential construction sector, it seems that 2024 was characterized by a certain recession in housing projects started compared with recent years, as well as a more significant decrease in completions and deliveries of apartments. This was in the context of a decrease in the labor force at some construction sites. This was driven by the replacement of Palestinian construction workers with other workers (Israeli and foreign workers) and also due to the impact on the ability to carry out work under fire.

The recession in construction projects is on the backdrop of the inflation and high interest environment and continued lack of skilled manpower, also alongside an improvement in the demand for apartment purchases and a relatively high volume of operations compared to the past two years, which was also accompanied by an increase in prices.

Housing prices may continue to rise over the coming year. This comes against the back drop of the war's impact on construction activity and the anticipated interest rate cuts by the Bank of Israel later this year.

The Bank is regularly monitoring the real estate portfolio and the development of the segment's risk characteristics and is also closely monitoring the effects of the War, interest rates and demand for housing on real estate companies, and is closely examining the effect of the macroeconomic situation on the credit portfolio.

For information regarding the ramifications of the "Iron Swords" War and other information, please see the section entitled "Activity and risk boundaries in the construction and real estate industry" further in this report and in the Report of the Board of Directors and Management as at 31 December 2024.

Climate and Environmental Risk

Climate-related and environmental risks to the Bank are exposure to potential damage which may be caused as a result of events or processes related to the environment and climate change, such as: such as: air pollution, soil contamination, water shortage, desertification, loss of biodiversity, deforestation, and earthquakes.

Environmental and climate-related risks are usually divided into three types: physical risks, transitional risks, and liability risks, and the Bank is exposed to these risks both directly and indirectly. Thus, environmental risks may have a financial and non-financial impact on the Bank, such as credit risk, market risk, liquidity risk, operational risk, compliance risk, legal risk, regulatory risk, and reputational risk.

Environmental risk is an "emerging" risk. Evolving risks are characterized by lack of quantitative data of adequate historical depth for their estimate and by high variance compared to other risks over time; this requires well-structured processes to adjust their management and measurement tools.
The Bank is monitoring regulatory, technologies and company-based developments, studying them and adjusting the risk management tools and methodologies on an ongoing basis.

The information in this section constitutes forward-looking information. For the meaning of the term, please see the chapter "Forward-Looking Information".
For more information, please see the section entitled "Climate Risk" further in the report, and the Environment chapter in the Bank's Environmental, Social and Governance (ESG) Report for 2024.

Review of Risk-weighted assets (OV1)

		a	b	c
		December 31, 2024	September 30, 2024	**December 31, 2024**
		Risk-weighted assets		Minimum capital requirements[a]
		In NIS million		
1	Credit Risk (standardized approach) [b]	**419,487**	411,712	**56,631**
6	Counterparty Credit Risk (standardized approach)	**17,988**	18,307	**2,428**
10	Adjustment for commercial credit risk (CVA)	**3,275**	3,472	**442**
16	Securitization exposures (standardized approach)	**922**	959	**124**
25	Amounts under the deduction threshold (subject to risk weight 250%)	**19,093**	18,921	**2,578**
	Total overall credit risk	**460,765**	453,371	**62,203**
20	Market risk (standardized approach)	**7,332**	7,444	**990**
24	Operational risk	**35,182**	33,834	**4,750**
27	Total	**503,279**	494,649	**67,943**

a) The capital requirements pursuant to the total minimum capital ratio required is 13.50% at the reporting date.
b) Credit risk does not include counterparty credit risk, adjustment for commercial credit risk (CVA), clearing risk, securitization exposures, and amounts under the deduction threshold.

For information on the links between the financial statements and regulatory exposures, see Addendum A to this report.

Additional information about risk-weighted assets

Changes in risk-weighted assets

Below are changes in risk-weighted assets arising from changes in mix, credit quality and other reasons that affected their balance in order to calculate the Bank's capital requirements.

Changes in credit risk-weighted assets[a]

	For the year ended December 31	
	2024	2023
	In NIS million	
Opening balance	**426,399**	392,658
Change in balance-sheet transactions	**19,143**	25,150
Derivatives	**4,594**	752
Off-balance-sheet	**8,552**	6,235
Securitizations	**(16)**	187
Deferred taxes	**(80)**	2,050
Other Assets	**(35)**	172
Investments in financial corporations	**(788)**	(686)
CVA	**286**	(335)
Shares	**2,710**	216
Closing balance	**460,765**	426,399

a) The transaction includes amounts connected to credit risk, counterparty credit risk, securitization exposures and amounts under the deduction threshold (subject to risk weight 250%)

Changes in market risk-weighted assets

	For the year ended December 31	
	2024	2023
	In NIS million	
Opening balance	**5,834**	6,610
Interest rate risk - change in open positions	**1,085**	(360)
Foreign currency risk - change positions - USD, GBP, Euro and Yen	**408**	(403)
Equity risk - change in futures and options on stock indices	**(80)**	50
Options risk - change in currency options - NIS/forex and forex/forex	**85**	(63)
Closing balance	**7,332**	5,834

Changes in operational risk-weighted assets

	For the year ended December 31	
	2024	2023
	In NIS million	
Opening balance	**29,943**	26,375
Change	**5,239**	3,568
Closing balance	**35,182**	29,943

Risk-weighted assets according to business operations

Following is the allocation of risk-weighted assets according to the business lines, as reflected in the Bank's reporting on operating segments.

	December 31, 2024										
	Activity in Israel									Foreign operations	Total
	Households	Private banking	Small- and micro-businesses	Mid-market businesses	Corporations	Institutional entities	Financial management	Other segment	Total for Israel		
	In NIS million										
Credit risk	102,569	270	52,911	40,982	198,957	461	39,505	15,291	450,946	9,819	460,765
Market risk	-	-	-	-	-	-	7,332	-	7,332	-	7,332
Operational risk	10,512	809	7,471	3,582	5,597	1,121	4,155	603	33,850	1,332	35,182
Total risk-weighted assets	113,081	1,079	60,382	44,564	204,554	1,582	50,992	15,894	492,128	11,151	503,279

	December 31, 2023										
	Activity in Israel									Foreign operations	Total
	Households	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total for Israel		
	In NIS million										
Credit risk	99,149	210	52,488	40,740	180,955	532	25,838	17,443	417,355	9,044	426,399
Market risk	-	-	-	-	-	-	5,834	-	5,834	-	5,834
Operational risk	8,774	634	6,337	2,994	5,397	712	3,262	240	28,350	1,593	29,943
Total risk-weighted assets	107,923	844	58,825	43,734	186,352	1,244	34,934	17,683	451,539	10,637	462,176

Part 3 - Capital

Regulatory capital composition (CC1)

		December 31, 2024	December 31, 2023	
		Regulatory capital[(b)(c)]	Regulatory capital	Reference to the regulatory balance sheet
		In NIS million		
	Common Equity Tier 1 capital: instruments and retained earnings			
1	Ordinary share capital issued by the banking corporation and premium on ordinary shares included in Common Equity Tier 1 capital	8,682	9,361	1
2	Retained earnings, including dividend proposed or declared after the balance sheet date	54,949	47,720	2
3	Accumulated other comprehensive income and retained earnings that were disclosed	(1,973)	(2,584)	3
6	Common Equity Tier 1 capital before regulatory adjustments and deductions	61,658	54,497	-
	Common Equity Tier 1 capital: regulatory adjustments and deductions			
8	Goodwill	379	643	6
12	Negative gap between allowances and expected losses	4	4	-
14	Unrealized profits and losses resulting from changes in the fair value of liabilities arising from changes in the banking corporation’s own credit risk.	16	16	9
26	Additional regulatory adjustments and deductions established by the Supervisor of Banks	4	(58)	-
26C	Of which: For calculation based on regulatory curve for calculation of financial liabilities	4	(42)	-
26C	Of which: for the effect of the efficiency plans	-	(16)	-
28	Total regulatory adjustments and deductions to Common Equity Tier 1 capital	403	605	
29	Common Equity Tier 1 capital	61,255	53,892	
45	**Tier 1 capital**	61,255	53,892	
	Tier 2 capital: instruments and allowances			
46	Instruments issued by the banking corporation (that are not included in Common Equity Tier 1 capital) and premium on these instruments	7,594	8,811	11a
50	Collective allowances for credit losses before the relevant tax effect	5,778	5,330	12
51	Tier 2 capital before deductions	13,372	14,141	
58	**Tier 2 capital**	13,372	14,141	
59	**Total capital**	74,627	68,033	

		December 31, 2024 Regulatory capital[b][c]	December 31, 2023 Regulatory capital	Reference to the regulatory balance sheet
		In NIS million		
60	Total risk-weighted assets	**503,279**	462,176	-
	Capital ratios and capital conservation buffers (in %)			
61	Common Equity Tier 1 Capital (as a percentage of risk-weighted assets)	**12.17%**	11.66%	-
62	Tier 1 capital (as a percentage of risk-weighted assets)	**12.17%**	11.66%	-
63	Total capital (as a percentage of risk-weighted assets)	**14.83%**	14.72%	-
	Minimum requirements set by the Banking Supervision Department[a]			
69	Minimum CET1 capital ratio set by the Banking Supervision Department	**10.24%**	10.22%	-
71	Minimum CET1 total capital ratio set by the Banking Supervision Department	**13.50%**	13.50%	-
	Amounts below the deduction threshold (before risk weighting)			
72	Investments in equity of financial corporations (excluding banking corporations and their subsidiaries) not exceeding 10% of the ordinary share capital issued by the financial corporation and which are below the deduction threshold	**1,349**	1,059	14
73	Investments in Common Equity Tier 1 capital (excluding banking corporations and their subsidiaries) exceeding 10% of the ordinary share capital issued by the financial corporation and which are below the deduction threshold	**1,796**	2,117	15
75	Deferred taxes receivable created incurred as a result of timing differences that are below the deduction threshold	**6,126**	5,383	16
	Ceiling for including allowances in Tier 2			
76	Allowance eligible for inclusion in Tier 2 relating to exposures under the standardized approach, prior to implementing the ceiling	**7,067**	6,582	-
77	Ceiling for inclusion in Tier 2 under the standardized approach	**5,760**	5,330	-

Comments:

a) The minimum Common Equity Tier 1 capital ratio required and the minimum total capital ratio required as of December 31, 2024 are 10 percent and 13.5 percent, respectively. In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans, excluding housing loans granted during the temporary order term. Accordingly, the minimum capital requirements applicable to the Bank as of December 31 2024 are 10.24% for the Common Equity Tier 1 capital ratio and 13.50% for the total capital ratio. For more information on the minimum capital ratios, please see the chapter entitled The Banking Corporation's Approach to Assessment of Capital Adequacy.

b) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024.

c) On September 5, 2022, the Bank's Board of Directors approved, after obtaining the approval of the Banking Supervision Department, to change the manner in which pension liabilities are measured for regulatory capital purposes. For details regarding the effect of the transition to the new method, see Note 24B. to the financial statements as of December 31, 2024.

Relationship between the balance sheet and the regulatory capital components

For disclosure regarding the relationship between the balance sheet and the regulatory capital components, see Addendum A to this report.

Additional information on capital and capital adequacy

Equity attributable to the Bank's shareholders totaled NIS 61,658 million on December 31, 2024 compared with NIS 54,497 million as at the end of 2023.

This capital serves as the basis for calculating the regulatory capital which, in turn, is used to calculate the Bank's capital adequacy ratio, with the addition of capital instruments and regulatory adjustments, as set out in the Banking Supervision Department's Proper Conduct of Banking Business Directive No. 202.

The shareholders' equity to total assets ratio as of December 31, 2024 is 7.8 percent.

In 2024, the Common Equity Tier 1 capital was mainly affected by the net profit for the period, net of the dividend and buyback, and from the increase in the loan portfolio. The impairment of the investment in Valley shares recorded in the second quarter of 2024 does not have a material effect on the Bank's capital ratios.

For additional information on additional regulatory changes in the reporting period and anticipated changes regarding the measurement of capital adequacy, please see below in this chapter.

Regulatory capital structure

In May 2013, the Banking Supervision Department published the final directives for the implementation of Basel III in Israel, by amending Proper Conduct of Banking Business Directives Nos. 201-211 (hereinafter in this section - the "Directives"). The Directives went into effect on January 1, 2014, subject to the transitional provisions included in the Banking Supervision Department's Proper Conduct of Banking Business Directive No. 299.

Pursuant to the Directives, the Group's capital components for the purpose of calculating capital adequacy are attributed to two tiers:

1. Tier 1 capital, which includes Common Equity Tier 1 capital (CET1) and Additional Tier 1 capital.
2. Tier 2 capital.

The sum of these tiers is also known as "capital basis for capital adequacy purposes" or "regulatory capital" or "total capital".

Common Equity Tier 1 capital

Common Equity Tier capital 1 includes the banking corporation's shareholders' equity, with the addition of some of the minority interests (non-controlling interests of consolidated subsidiaries) less goodwill, other intangible assets and regulatory adjustments and additional deductions.

In addition to these, adjustments to Common Equity Tier 1 capital, which arise from measuring the pension liabilities and assets designated for hedging for regulatory capital purposes, commencing July 1, 2022, as outlined above, as well as the application of various regulatory provisions, as outlined below.

A breakdown of the minimum Common Equity Tier 1 capital regulatory requirement is shown below in the section entitled "Capital Adequacy".

Tier 1 capital

According to the Banking Supervision Department's directives, Tier 1 capital will include - in addition to CET1 capital - Additional Tier 1 capital, which is comprised of equity instruments complying with the criteria set forth in Proper Conduct of Banking Business Directive No. 202.

To date, Israel has set no regulatory requirement regarding minimum Additional Tier 1 capital ratio, and the Leumi Group has no Additional Tier 1 capital instruments.

Tier 2 capital

Tier 2 capital includes equity instruments and the outstanding balance of the collective loan loss provision, subject to the ceiling prescribed by the directives.

Capital instruments must comply with the criteria set forth in Proper Conduct of Banking Business Directive No. 202 in order to be included in capital. The main criteria the instrument is required to include are: (1) a mechanism for principal loss absorption through conversion into ordinary shares or amortization of the instrument as the banking corporation's Common Equity Tier 1 capital ratio falls below 5%; (2) a clause determining that, upon the occurrence of the defining event for non-viability (as defined in Appendix E to the Proper Conduct of Banking Business Directive No. 202), the instrument shall be immediately converted to ordinary shares or written off.

For a description of the main features of regulatory capital instruments which have been issued, please see the Bank's website: www.leumi.co.il under About us > Financial information > Disclosure under Pillar 3 of Basel Accord and Additional information on risks.

Changes in components of regulatory capital

	For the year ended December 31	
	2024	2023
	In NIS million	
Common Equity Tier 1 capital		
Balance as at beginning of period	53,892	48,797
Non-cash issue	(19)	(21)
Increase (decrease) in premium	(660)	(579)
Net income for the period less dividend	7,229	4,946
Retained earnings reserves in respect of associates	22	21
Unrealized gains (losses) from adjustments of available for sale securities	183	427
Capital reserve for equity-based payment	-	7
Capital reserves in respect of employee benefits	407	250
Increase in capital reserves (other and associates)	1	3
Effect of the efficiency plans	(16)	(33)
The effect of transitioning to the pension obligation capitalization rate according to regulatory curve	74	(388)
Adjustments for expected loan losses	(120)	(120)
Changes in the translation differences reserve in respect of subsidiaries	(2)	5
Regulatory adjustments and deductions		
Goodwill and intangible assets	264	562
Accumulated gains/losses arising from changes in own credit risk for financial liabilities at fair value	-	15
Net increase in Common Equity Tier 1 capital	7,363	5,095
Balance as at end of period	61,255	53,892
Tier 2 capital		
Balance at beginning of year	14,141	12,020
(Redemption) Issuance of eligible bonds	(1,217)	1,264
Change in general provision	448	857
Net (decrease) increase in Tier 2 capital	(769)	2,121
Balance as at end of period	13,372	14,141
Total capital as at the end of period	74,627	68,033

Comments:

The changes in Tier 1 capital in 2024 arise primarily from net profits for the period less dividends and buybacks of NIS 6.5 billion, an increase in goodwill of NIS 264 million, an increase in capital funds after the influence of the efficiency plan and adjustments for the quarter method of NIS 648 million, and a decrease of NIS 120 million for the spread of the impact of application of the anticipated credit loss directive.

The change in Tier 2 capital arises primarily from a NIS 1.2 billion decrease in the eligible regulatory capital instruments, caused by early repayment of Series 404 in the third quarter. This is also due to an increase in the group reserve credited to Tier 2 capital, of NIS 448 million.

The changes in Tier 1 capital in 2023 arise primarily from net profits for the period less dividends and buybacks of NIS 4.3 billion, an increase in goodwill of NIS 562 million, an increase in capital funds after the influence of the efficiency plan and adjustments for the quarter method of NIS 289 million, and a decrease of NIS 120 million for the spread of the impact of application of the anticipated credit loss directive.

The change in Tier 2 capital arises primarily from a NIS 1.3 billion increase in the eligible regulatory capital instruments, caused by the issue of Series 2033$ RM during the first quarter, offset by redemption of Series 401 during the third quarter. This is also due to an increase in the group reserve of NIS 857 million.

The Banking Corporation’s Approach to Assessment of Capital Adequacy

The Bank applies the directives regarding capital measurement and adequacy, which are based on the Basel 3 Accord directives, as adopted by the Banking Supervision Department and incorporated into the Proper Conduct of Banking Business Directives Nos. 201-211, and the directives for its implementation. The directives of the Basel Accords require managing capital under three pillars:

- Tier 1 - includes the manner for calculation of the minimum regulatory capital requirements for credit risk, operating risk, and market risk. In applying Pillar 1 requirements, the Bank implements the standardized approach for all of its exposures.
- Pillar 2 - The Internal Capital Adequacy Assessment Process (ICAAP) outlines the Bank’s internal workflows for estimating the required capital in respect of all risks, including those not covered by Tier 1, such as: credit concentration and the banking portfolio’s interest risk. Parallel to this, the Banking Supervision Department is performing a review process.
- Pillar 3 - market discipline. The Pillar determines the scope and manner of presenting the information regarding the Bank’s risk exposure in its reports to the public. The Pillar requires disclosures included in the Risk Management Report.

Capital ratios are calculated as the ratio of capital to risk-weighted assets. The Common Equity Tier 1 capital ratio is calculated as the ratio of Common Equity Tier 1 capital to the risk-weighted assets, and the total capital ratio is calculated as the ratio of total capital to the risk-weighted assets.

The Bank of Israel’s capital adequacy targets

Under Proper Conduct of Banking Business Directive No. 201, Capital Measurement and Adequacy - Introduction, Application and Calculation of Requirements, a large banking corporation whose consolidated on-balance sheet assets total at least 24 percent of the Israeli banking system’s total assets, is required to meet a Common Equity Tier 1 capital ratio of at least 10 percent and a total capital ratio of at least 13.5 percent. This requirement applies to Bank Leumi.

In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans, for the purpose of financing real estate rights. Accordingly, the minimum capital requirements applicable to the Bank as of December 31, 2024 are 10.24 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

The Bank’s capital planning and capital adequacy targets

The Leumi Group’s capital planning reflects a forward-looking view of its risk appetite and profile, business strategy and the capital adequacy required as a result. The capital plan is approved by the Bank’s management and Board of Directors and takes into account the Group’s various P&L centers and other factors that affect the Bank's compliance with the capital requirements, such as: profit forecasts, changes in other comprehensive income, regulatory adjustments, the effect of the transitional provisions and the rate of increase in risk-weighted assets. The capital ratios forecast is also subject to various sensitivity tests and stress scenarios.

The Group's policy, which was approved by the Board of Directors, is to maintain a capital adequacy level that is higher than the minimum threshold set by the Bank of Israel from time to time and no less than the rate of capital required to cover the risks as assessed using the ICAAP process. In addition, the Group has set capital targets in case of a stress scenario event. For more information on the ICAAP process and the use of stress tests, please see Part 2 of this report.

On November 29, 2023, the Bank’s Board of Directors approved a set in the Bank’s internal Tier 1 capital target at 10.6 percent.

Dividend Distribution Policy

On March 6, 2019, the Bank's Board of Directors approved a dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 50 percent of the Bank's net income in accordance with the Bank’s financial statements for the previous quarter. This was subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution. The actual dividend distribution is subject to the specific resolutions being passed by the Board of Directors prior to each distribution, and to the provisions of the law which apply to dividend distribution, including the provisions of the Companies Law and directives of the Bank of Israel.

On March 3, 2025, the Board of Directors approved a dividend consisting of 40 percent of the quarter's net income in respect of Q4 quarter in the year 2024. Of which, approximately 29 percent as a cash dividend totaling to approximately NIS 706 million, and the remaining balance through share buyback in the sum of NIS 274 million, as detailed hereinafter. The sum of the dividend approved for each NIS 1 par value share is approximately 47.01 agorot. The final dividend amount per share will be adjusted to changes due to a share buyback and the exercise of the Bank's convertible securities, and will be published two days prior to the effective date. The Board of Directors designated March 12, 2025, as the record date for purposes of dividend payment and March 20, 2025, as the payment date.

Details of paid cash dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
March 14, 2023	April 4, 2023	45.20	698
May 23, 2023	June 15, 2023	19.10	294
August 15, 2023	September 7, 2023	48.05	736
November 29, 2023	December 17, 2023	23.21	353
March 19, 2024	April 11, 2024	23.97	365
May 28, 2024	June 20, 2024	54.91	835
August 14, 2024	September 5, 2024	44.99	681
November 19, 2024	December 5, 2024	45.63[2]	688

[2] Further to the immediate supplementary report dated November 27, 2024.

The Bank’s share buyback plan 2024

On May 27, 2024, the Bank's Board of Directors approved a share buyback plan in a total not to exceed NIS 1 billion, commencing May 29, 2024 up to May 22, 2025 or until the total buyback amount has been reached, the earlier of the two.

The share buyback plan is executed as part of the trading on the Tel Aviv Stock Exchange (TASE) and/or through transactions outside the TASE, through an external, independent member of the TASE, who will act under an irrevocable power of appointment, in accordance with the safe harbor mechanism published by the Israel Securities Authority. The buyback plan is executed in four separate stages, each of which irreversible, in accordance with the safe harbor mechanism (hereinafter - “Stage A”, “Stage B”, “Stage C” and “Stage D”).

As part of Stages A and B, the Bank purchased (through the Stock Exchange Member) 15,091,044 shares totaling NIS 497 million under the said plan.

The implementation of Stage C began on November 20, 2024 and ended on January 12, 2025, during which time the Bank purchased (through the Stock Exchange Member) 5,356,635 Bank shares totaling NIS 229 million under the plan.

Immediately prior to publishing this report, the Bank decided to proceed to Stage D, granting the Stock Exchange Member an irreversible order to initiate Stage D on March 5, 2025. Stage D will end on the earlier of: (a) May 22, 2025; or (b) Completion of the Bank’s share buyback in an amount not exceeding NIS 274 million.

Approval of the Banking Supervision Department to carry out the buyback plan, as required under Proper Conduct of Banking Business Directive No. 332, was received on May 22, 2024, subject to meeting the restrictions and capital targets, including the condition whereby the plan will be discontinued effective immediately if, during the plan term, the most recent financial statements published by the Bank will not comply with a Common Equity Tier 1 capital ratio of at least 10.9 percent, subject to the determination of the buyback amount in each stage taking into account the geopolitical situation as well as the Bank’s actual capital ratios and the capital cushions required in the various scenarios.

As of the report publication date, the Bank owns 113,220,946 treasury shares.

For more information, please see the immediate report dated May 28, 2024.

Adjustments to Common Equity Tier 1 capital and Regulatory Changes in Measuring the Capital Requirements

Measurement of the employee benefits liability and hedging assets

Starting from July 1, 2022, calculation of the pension liabilities for the purpose of regulatory capital is as follows: Each quarter, the Bank calculates the change in the pension liability as a result of changes in the discount rate, net of the change in the value of assets designated in advance for hedging these liabilities. The change in the net pension liability, after tax, is spread in a linear manner over four quarters, beginning in the quarter for which the calculation was made. This method shall be in effect until the earlier of the following: a) the financial statements as at December 31, 2029 (inclusive) or b) the date of the financial statements in which the average pension liability amount for the past four quarters is lower than NIS 10 billion, linked to the CPI (from the known CPI as of July 1, 2022 until the known CPI on the date of the relevant financial statements).

For information regarding the capitalization methodology, please see Critical Accounting Policies and Estimates in the Report of the Board of Directors and Management as at December 31, 2024.

Draft Revising Proper Conduct of Banking Business Directive No. 201, “Introduction to Measurement and Capital Adequacy, Applicability and calculation of requirements.

On February 11, 2025, a draft directive was sent to banking corporations for their comments. The draft proposes replacing Banking Supervision Directive No. 201 with a new directive, aiming to improve the alignment between the regulatory capital requirements applicable to banking corporations in Israel and the recommendations of the Basel Committee, as well as internationally accepted practices.

The draft directive includes references to regulatory capital ratio requirements, according to which the banking corporation would be required to meet minimum capital ratios and maintain capital buffers and adding capital above the minimum capital ratios. The Bank is reviewing its position on the draft and its possible implications.

Developments in the guidance of the Basel Committee on Banking Supervision regarding capital adequacy measurement

In 2017, the Basel Committee on Banking Supervision completed its revision of the overall capital adequacy Basel III framework. As part of the revisions, also known as Basel IV, significant revisions were made in the manner of calculating risk-weighted assets for the purpose of the Tier 1 capital requirements. Implementation of the various standards included in the revision, as determined by the Basel Committee, the implementation is expected to begin in 2025.

In accordance with the policy for the adoption of accepted international standards, the Banking Supervision Department is adopting the Basel Committee provisions from 2017 on the calculation of capital requirements in respect of operational risk. On June 19, 2024, the Banking Supervision Department published a circular to update Proper Conduct of Banking Business Directive 206 “Capital measurement and Adequacy - Operational Risk”; the circular established an updated definition of the calculation of the capital allocation in respect of operational risk such that it is based, among other things, on the business indicator components and on the internal loss multiplier based on the average historical losses of the banking corporation. Implementation of the Directive will become effective on January 1, 2026. However, until December 31, 2028 the internal loss multiplier will be set at one.

Additionally, on February 11, 2025, the Banking Supervision Department sent a survey to banking corporations to assess the quantitative impact of the reform (QIS) on the calculation of risk-weighted assets under the standardized approach - “Measurement and Capital Adequacy - Calculation of Risk-Weighted Assets for Credit Risk” - in accordance with the updates established by the Basel Committee, as mentioned above.

Directives pertaining to the attribution of capital for derivative financial instruments

On December 1, 2021, the Banking Supervision Department published a circular revising directives on capital allocation for derivative financial instruments (application of the provisions of Proper Conduct of Banking Business Directives Nos. 203A and 208A), in an effort to adjust the directives of the Bank of Israel to the revised Basel Committee provisions regarding counterparty credit risk.
As of July 1, 2022, the Bank applies Directive No. 203A, Treating Counterparty Credit Risk.

Directive 208 A “Credit Valuation Adjustment (CVA) Risk Capital Requirements” establishes new approaches for calculating capital allocation for CVA risk. One of these approaches is the Basic Approach (BA-CVA), in which risk weights are determined based on the borrower’s industry sector and credit risk.

The application date of Directive 208A, Value Adjustment for Credit Risk, will be January 1 2025.

The transaction is not expected to have a material effect on the Bank’s financial results.

Circular entitled “Regulatory Capital - Effect of Implementation of Accounting Principles regarding Current Expected Credit Losses”, Proper Conduct of Banking Business Directive No. 299 and circular entitled “Expected Loan Losses from Financial Instruments”

As of January 1, 2022, the Bank applies the transitional provisions published by the Banking Supervision Department - Regulatory Capital - Effect of Application of GAAP, as well as additional adjustments to “Proper Conduct of Banking Business Directives, as a result of the new rules on expected credit losses”. Among other things, the Bank is applying Proper Conduct of Banking Business Directive No. 202, “Capital Measurement and Adequacy - Regulatory Capital”, and deducts from Common Equity Tier 1 amounts to cover for housing loans classified over time as non-performing.

According to the transitional provisions published by the Banking Supervision Department, and since following the first-time application there was a decrease in the Common Equity Tier 1 capital of the Bank as at January 1, 2022, the Bank partially added to the Common Equity Tier 1 capital 75% of the decrease in the Common Equity Tier 1 capital as of the first-time application. The addition to the Common Equity Tier 1 capital will decrease by 25%, until 0% is added on January 1 of the fourth application year). Accordingly, on January 1, 2024, 25% of the decrease in Common Equity Tier 1 capital on the date of first-time application was added to the Common Equity Tier 1 capital.

Sensitivity analysis of the main factors affecting the capital adequacy of the Leumi Group

- Change of the scope of risk assets - as of December 31, 2024 Leumi's risk assets amount to approximately NIS 503.2 billion, an increase of NIS 1 billion in risk assets will reduce the CET1 capital ratio by approximately 0.02%, and the total capital ratio by approximately 0.03%.
- A change of CET1 capital - As of December 31, 2024, the CET1 capital amounts to approximately NIS 61.2 billion. An NIS 100 million decrease in the CET1 capital will decrease the CET1 capital ratio and the total capital ratio by approximately 0.02%.
- Change in the foreign exchange rate - a 1 percent depreciation in the shekel's exchange rate against all currencies will decrease the Common Equity Tier 1 capital and total capital ratio by 0.02 percent.
- A 1 percent increase in the risk-free interest rate curve across all currencies for regulatory capital exposure signifies a decrease of 0.1% in the Common Equity Tier 1 capital ratio and total capital ratio.
- The rating of the State of Israel has an effect on the capital requirements in respect of the Bank's exposures to the Israeli government and exposure to banks, institutional entities and public sector entities in Israel. The decline of Israel's credit rating the rating firm Moody's announced of on September 27, 2024 by two notches in itself, does not affect the Bank's capital adequacy ratios. The Bank assesses that an additional credit rating decline by one notch by any of the other rating firms, a direct impact on the Bank's capital adequacy ratio is not expected.
  If and should there be a downgrade of two notches or more in Israel's credit rating by one or both of the credit rating firms, Fitch and S&P, a decrease of approximately 0.4% in the CET1 capital ratio is expected, as well as approximately 0.49% in the Bank's total capital ratio, as of December 31, 2024 (standing at 12.17% and 14.83% respectively).

For further information, please see chapter titled "Credit Rating in a Corporate Governance Report" and the immediate reports dated February 11, 2024 and September 29, 2024.

The above information regarding capital adequacy and its management refers to the Bank's future activities and constitutes forward-looking information. For the meaning of the term, please see the chapter "Forward-Looking Information".

Part 4 - Leverage ratio

Leverage ratio is expressed as a percentage and defined as measured regulatory capital divided by the measured exposure. The regulatory capital for the purpose of leverage ratio measurement is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive No. 202, according to regulatory adjustments regarding the capital calculation. A banking corporation's exposure is the sum of the balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and off-balance-sheet items. The leverage ratio complements the capital ratio and constitutes yet another restriction on the banking sector's leverage level.

Comparison of the balance sheet assets to the exposure measured for leverage ratio purposes (LR1)

		December 31	
		2024	2023
		In NIS million	
1	Total assets according to the consolidated financial statements	**771,159**	719,635
	Adjustments for:		
4	Derivatives	**28,486**	14,600
6	Off-balance sheet items	**77,421**	70,550
7	Other	**5,892**	5,229
8	Exposure for leverage ratio purposes	**882,958**	810,014

Leverage ratio (LR2)

		December 31	
		2024	2023
	Item	In NIS million	
	Balance sheet exposures		
1	Balance sheet assets (excluding derivatives and securities financing transactions; including collateral)	727,630	682,924
2	Amounts in respect of assets deducted for measuring Tier 1 capital	(383)	(647)
3	**Total balance** sheet exposures (excluding derivatives and transactions to finance securities)	727,247	682,277
	Exposures for derivatives		
4	The replacement cost associated with all derivative transactions	17,690	14,185
5	Additional amounts in respect of potential future exposure associated with all derivative transactions	39,989	27,825
7	Deductions of debtors' assets in respect of variable cash collateral provided in derivative transactions	-	-
11	**Total exposures for derivatives**	57,679	42,010
	Exposures for securities financing transactions		
12	Gross assets for securities financing transactions (excluding off-sets), after adjustments for transactions accounted for as an accounting sale	5,847	1,092
15	Exposures for securities financing transactions as agent	14,764	14,085
16	**Total exposures for securities financing transactions**	20,611	15,177
	Other off-balance-sheet exposures		
17	Off-balance-sheet exposure at a gross nominal value	223,657	199,599
18	Adjustments for conversion to credit-equivalent amounts	(146,236)	(129,049)
19	**Off-balance sheet items**	77,421	70,550
	Capital and total exposures		
20	**Tier 1 capital**[(b)]	61,255	53,892
21	**Total exposures**[(a)]	882,958	810,014
	Leverage Ratio		
22	**Leverage ratio in accordance with Proper Conduct of Banking Business Directive No. 218**	6.94%	6.65%

a) The data include adjustments in respect of the efficiency plan in accordance with the directives of the Banking Supervision Department. For more information on the effect of the transitional provisions and adjustments in respect of the efficiency plans, please see "Relief in respect of operational efficiency plans" and Part 3 in the Report.
In addition, in the calculation of the leverage ratio, adjustments in respect of the implementation of the new measurement method relating to certain actuarial liabilities were taken into account.

For further information regarding capital adequacy and leveraging, please see Note 24B to the financial statements as of December 31, 2024.

For more information regarding compliance with the leverage ratio temporary order, please see Proper Conduct of Banking Business Directive No. 250 above.

The leverage ratio as at December 31 2024 is 6.94 percent, a 0.29 percent increase compared to December 31 2023.

The increase in the leverage ratio arises from an increase in Tier 1 capital of NIS 7.3 billion. In contrast, there was an increase in exposures of NIS 73 billion, arising from the increase in balance sheet exposure of NIS 45 billion, an increase in derivatives exposure of NIS 15.7 billion, an increase of NIS 6.9 billion in off-balance sheet exposures, and an increase in NIS 5.4 billion in exposures to transactions for financing of securities.

Part 5 - Credit Risk

General information on credit risk quality (CRA)

Credit provision is a core activity of the Bank and Group and is conducted in a decentralized manner by various business lines.

Credit risk is the Bank's risk of loss as a result of the possibility that a counterparty fails to meet its agreed commitments towards the banking corporation.

Activities which embody credit risk include on- and off-balance sheet credit risk, such as: Loans to the public; loans to banks; loans to governments; deposits with banks; investments in bonds and exposures for activity in derivatives.

The Bank applies a comprehensive risk management policy in line with the requirements of Proper Conduct of Banking Business Directive No. 311, “Credit Risk Management”, Proper Conduct of Banking Business Directive 311A, “Management of Consumer Credit” and Proper Conduct of Banking Business Directive No. 314, “Sound Credit Risk Assessment and Valuation for Debts”, including the liability of management and the Board of Directors. In addition, the Bank is meticulous about managing risk in compliance with further guidelines and requirements included in the Banking Supervision Department’s directives, implementing corporate governance which includes three "lines of defense".

As part of its credit risk management, the Bank monitors the quality of its credit portfolio, including the overall adequacy of its loan loss provision to cover losses embodied in the loan portfolio; the credit portfolio concentration level and activity by main products, such as: credit granted to the construction and real estate sector; housing loans; credit granted to private individuals; housing loans and leveraged credit. In addition, as part of an organizational concept for comprehensive management of credit risk, climate-related and environmental risk and the extent of their impact on the risk profile must be taken into account. The Bank formulated a multi-year plan for the construction and assimilation of processes that will enable the identification, measurement, evaluation, monitoring, reporting and control of these risks, including ways of managing them and reducing their impact on the credit exposures. For further information, please see the Environment Chapter in the Bank’s Environmental, Social and Governance (ESG) Report for 2024.

A review of the exposure to credit risks and a snapshot of internal and regulatory restrictions is presented to Management and the Board of Directors at least once a quarter.

The Bank’s credit policy is a key component of the Bank’s credit management and is derived from the Group’s general risk appetite, as expressed in the multi-year work plans, strategy, and boundaries of corporate focus. The paper also includes a set of internal and regulatory credit restrictions, alongside the existing internal procedures for identifying, measuring, monitoring, supervision and control over the credit risk. Credit policy and existing internal procedures which relate to the credit risk inherent in all of the Bank’s activities and applies to each loan as well as to the entire loan portfolio.

The guiding principles of the Bank's credit policy are as follows:

- Maintaining proper administration: code of ethics, fairness, due diligence, and transparency, including compliance with regulatory directives.
- Focusing the exposures on activities for which the Bank has the expertise needed to estimate and manage the risks embodied therein.
- Division of customer handling between business lines according to different characteristics.
- There is separation between the unit taking the risk and the independent unit auditing the risk and management of the risk.
- Any function in the Bank which gives rise to credit risk exposure must be aware of the risks involved in his/its purview and assume responsibility for their ongoing management, including in the area of compliance.
- Comprehensive view of the customer/group including credit risk level in accordance with Proper Conduct of Banking Business Directive No. 313
- Ongoing and periodic monitoring of credit exposures and after complying with the restrictions (internal and regulatory), in order to identify weaknesses as early as possible and to prepare accordingly.
- Quantitative assessment of credit risk, while defining a risk rating for each customer.

- Distinguishing between types of activities and market segments under which categories are defined according to different risk levels.
- Underwriting considerations include, among other things:
  - Characteristics a borrower is required to have for credit approval purposes: evaluation of repayment capacity; internal credit rating; business experience; financial data and various prerequisites for credit provision (e.g., financing rate, maximum exposure and acceptable collateral), and in relevant cases, information from the credit database.
  - The credit authority hierarchy defines who is authorized to approve exceptional credit applications.
- Those involved in the credit sector undergo training and guidance in the field of credit.

As part of the credit risk management, on a regular basis, adjustments are made to the credit risk management and risk appetite, as necessary.

In 2024, there were no material changes in the corporate governance structure related to credit risk.

The subsidiaries' credit policies

The Group credit policy paper constitutes a master document outlining the governing principles for the Bank's policy framework both in Israel and for the Bank's UK desk. This policy is primarily based on the Bank's policy in Israel.

Each of the Bank's subsidiaries - including its foreign offices - has a credit policy paper based on the principles set forth in the Group policy paper and approved by the subsidiary's Board. The subsidiaries' policy papers and their conformance to the Group's policy are also reviewed by the Risk Management Division in Israel.

As in the parent company, the credit policy in the bank's branch in the UK is also based on guiding principles for underwriting and credit management for the individual customer, as well as for setting limits and managing segments at the aggregate level.

Corporate governance structure and the responsibility for Credit Risk Management.

In addition to information about the corporate governance structure of risk management in the Bank, which is described in the section entitled "Additional Information about Risk Exposure and Assessment Thereof", more information regarding operational risk management follows:

The process of monitoring and managing credit risks is carried out through three separate "lines of defense".

First line of defense - The business lines

In the first line of defense, the business units operate within business lines, with dedicated units responsible for managing credit risks within the business unit. This includes specialized units for distressed borrowers, such as the Problem Debt Center, which reports to the banking division, and the Special Credits Department, which reports to the business division.

Second line of defense - The Risk Management Division and the accounting system in the financial decision

The Risk Management Division includes three units responsible for handling credit risk, in accordance with the defined scope of their responsibly:

1. **Credit Risk Department** holds overall responsibility in accordance with regulatory requirements for individual examination (the single transaction), including credit classifications and provisions, and serves as a professional anchor for addressing cross-sectional aspects of credit policy and risk management (formulating credit policy, defining credit authorities, settling internal limits, credit monitoring, analyzing credit portfolio risks from a group perspective, providing regular quarterly reports to the bank's management and board of directors, supervising and monitoring credit risk management in the bank's foreign branches, and conducting credit stress testing).

2. **Market risks and model's department** holds overall responsibility for ensuring the validation and/or performing the validation of internal models for credit risk in the bank and its UK branch.

3. **The compliance framework** - serves as a professional anchor for establishing the framework for examining compliance aspects related to credit risks and their integration into the credit policy, as well as the required consideration in presentations to the Credit Committee.

The accounting framework within the financial division as a professional anchor for understanding and analyzing regulatory updates and relevant clarifications. As part of this framework, in complex cases, it serves as a professional knowledge source for formulating decisions regarding provisions and credit classifications.

Third line of defense - Internal Audit

The Internal Audit Division is responsible for conducting an independent, objective audit and for challenging controls, processes and automated systems in the banking corporation. The audit is usually performed retrospectively on the first and second lines, ensuring implementation of the instructions of management and the Board of Directors

Credit Risk Management Tools - Risk Measurement Systems

To manage credit risk, quantitative models are used to internally rate borrowers' risk and evaluate and monitor risk at the portfolio level. The internal rating of borrowers is a key player in the credit granting decision-making process and in monitoring its quality over time.

The Bank uses two main tools to assign internal ratings to customers:

- A rating system for retail customers is based, among other things, on the customer's account activity characteristics over time.
- A rating system for assessing customers taking out housing loans, based, among other things, on customer characteristics and their activity throughout the loan's lifecycle.
- A rating system designed for business-commercial borrowers, based on structured expert questionnaires.

The models used to perform the ratings in said systems are validated and monitored on a regular basis.

The risk profile at the overall portfolio level of the group is monitored by the credit risk management framework. The quarterly exposure report, which includes details on trends, and compliance with internal and regulatory limits, is presented for discussion before the bank's management, the board of directors' credit committee, and the board of directors' risk committee. The above mentioned, in addition to various additional analyses of segments within the credit portfolio and the execution of a stress test.

Macroeconomic effects and the "Iron Swords" War

The Bank's activity is affected, among other things, by macroeconomic developments in the local business environment and the slowdown in global economic activity.

The year 2024 concluded with significantly lower economic growth than initially estimated before the war Among the main areas of activity that were significantly impaired due to the war, activity of which had not yet returned to their level prior to the war, the foreign tourism and agriculture sectors should be noted. The economic forecast for 2025 and beyond depends on a variety of factors, including global economic developments, economic policy in Israel, the security situation in Israel, and more.

For further information regarding the changes in the construction industry see the chapter titled "Risks in the Construction and Real Estate Industries further in this report.

For more information, please see the section entitled "Macroeconomic Risk" under "Other Risks" later in this report.

In view of the increase in the risk level since the beginning of the war, emphases were honed in relation to credit and in the various business lines, with additional adjustments being made during 2024 along with the pace of market recovery

In the credit risk aspect, there is still uncertainty, although at a lower intensity, in respect of the war's effects, and therefore it is not possible to accurately assess the intensity of the potential harm to the Bank's credit portfolio, which depends, inter alia, on the developments as aforementioned.

Loan loss expenses

The Bank's loan loss provision reflects the Bank's estimates. The provision is an estimate based on judgment, which was applied during the third quarter in a changing environment characterized by uncertainty. In order to estimate the current expected credit losses, the Bank consistently takes into account the directives of the Banking Supervision Department in its forecasts, scenarios, assumptions and estimates pertaining to the possible consequences of the War.

The estimation process was adapted to forecasts pertaining to the War conditions and its development and includes the Bank's expected collective loss. In this context, the Bank relies on assessing the risk profile of the various economic sectors, especially economic sectors the Bank believes to be more exposed to the War, using measurement tools at its disposal, such as: the amount of write-offs, the risk profile of the economic sector, debt period, debt classification, risk appetite, macroeconomic models for estimating credit losses reflecting the effects of changes in forecasts for the main economic parameters in the coming year (such as: forecasts for growth, private consumption, foreign exchange rates, unemployment rate in the economy, and interest rate). The estimate is based on scenarios with various levels of severity, and in view of the continuation of the war and the uncertainty, the Bank increased the probability of the realization of the more pessimistic scenarios compared to the base scenario during 2024. A further worsening of any of these criteria and/or worsening of the weighting of pessimistic scenarios may bring about an increase in the loan loss provision.

Due to the rapid changes in the financial and economy-wide conditions, in the fourth quarter of 2024 and until shortly before the publication date of the report, the Bank examined the key indicators used in the provision process and revised them accordingly, as mentioned above.

Against the background of the latest security developments, and amid the cease fires on the northern and the southern fronts, in recent months there had been a decrease in the macro risks, the credit risks and risks related to the markets' sentiment towards Israel. In this regard we should note that on January 21, 2025, the rating firms Moody's and Fitch published reports with a positive message, according to which the risk of a further deterioration of Israel's credit rating was halted, and now, depending on the continued stability, the direction may be positive.

Notwithstanding the decrease in risks as described above, and although as of the date of publishing these Statements, the impacts of the War in practice are much more moderate than the assumptions included as part of the Group's provision for credit losses, the assessment of the provision for credit losses reflects the continued security and economic uncertainty following the uncertainty regarding the cease fire on the Gaza front alongside the security and political challenges, as well as conservativism in the macro-economic indicators and the parameters that serve for assumptions in the future customers' failure rates forecast model.

The expenses due to credit loss amounted to NIS 197 million in the third quarter of 2024, of which an NIS 220 million expense was recorded due to a collective provision, stemming mainly from the worsening of various macroeconomic parameters.

In order to examine the sensitivity of the collective provision to hypothetical changes at the risk level of economic sectors and the macroeconomic parameters underlying the forecast, the Bank assessed the effect of a uniform change in the macroeconomic parameters (worsening and improvement by a uniform rate of 1%) and the odds of materialization of the various scenarios (a main, pessimistic and extreme scenario), through each of the sensitivity tests.

The key macroeconomic parameters in which the base scenario was altered are, among others, the GDP, personal consumption, the Bank of Israel's interest rate, and the currency exchange rate.

The impact of worsening the parameters will reflect an addition to the group provision for credit losses in the 4^{th} (fourth) quarter of 2024 in the sum of approximately NIS 668 million, an improvement of the parameters will lead to, a decrease in the collective provision for credit losses in the fourth quarter of 2024 relative to the reference scenario in the sum of approximately NIS 663 million.

Some of the above information constitutes "forward-looking information". For the meaning of the term, please see the chapter "Forward-Looking Information".

Reliefs and changes in credit terms and conditions as part of coping with the War's ramifications

The Bank has adopted the Bank of Israel Aide Outline and is implementing the guidelines determined by the Banking Supervision Department and other regulators.

For additional information on all the relevant publications of the Bank of Israel, please see the chapter entitled "Legislation and Regulations Governing the Banking System" under "Regulatory Measures following the Iron Swords War", in a Corporate Governance Report.

The Bank is also implementing additional reliefs for its customers with the aim of making it easier for them to deal with the consequences of the war.

Risk assessment and classification of debt that have undergone changes in terms and conditions against the backdrop of the "Iron Swords" War

In accordance with the directives of the Banking Supervision Department to allow borrowers who were affected by the War additional flexibility in the repayment of loans. In accordance with the directives of the Banking Supervision Department to allow borrowers who were affected by the war additional flexibility in the repayment of loans and repayment arrangements.

Comprehensive repayment arrangements were determined for customers who meet the Bank of Israel Outline criteria, and changes were made for other customers, with a risk assessment of the debt and the borrower in order to identify troubled debts or debts with difficulties whose terms and conditions have changed. Please note that as a general rule and according to the Bank of Israel's guidelines, such repayment arrangements do not necessarily indicate that the customer is in financial difficulties regarding the classification of the debts as debts to borrowers in financial difficulties that have undergone changes in terms and conditions.

In the risk assessment of the debts for which repayment arrangements were made, the situation of the borrower or the debt on the date of the change is examined, among other things, in relation to the following topics:

- The background for the change in terms and conditions, in other words does the requested change stem from financial or operational difficulties resulting from the consequences of the War
- The repayment history of the borrowers' debts, with an emphasis on the proper payment of the loans without exceptions before the War
- The debt coverage ability, taking into consideration all the customers cash flows, including from government support
- The deferral/rescheduling period requested, taking into consideration the expected duration of the effect of the consequences of the War.

To the extent that according to the risk assessment, this is identified as a temporary impairment of the customer's debt service ability (in other words, this customer did not have difficulties before the War, the change in the debt terms and conditions is against the backdrop of the War and the repayment of the debt is expected at the new terms and conditions), the debt is not classified as a troubled debt or as a debt with difficulties that has undergone changes in its terms and conditions. On the other hand, to the extent that the risk assessment indicates that the borrower's financial difficulties began before the War and an impairment of the ability to fully service the debt is expected, the need to classify the debt as a troubled debt or as a debt in difficulties whose terms and conditions have changed is examined according to criteria and quantitative calculations customary at the Bank.

It should be emphasized that debts for which debt settlement arrangements have been made and are not classified are monitored as part of the ongoing management of debts for which the risk has worsened in accordance with the criteria customary at the Bank.

A debt which was not in arrears at the outbreak of the War is not reported as a delinquent debt if payments are made on time in accordance with the revised terms and conditions of the debt. In addition, for debts which had payments in arrears at the outbreak of the War, the extent of arrears was adjusted to the situation at the outbreak of the War, and in fact, the counting of the arrears during the payment deferral period was frozen.

For information regarding the reliefs given by the Bank and details of the expected quantitative effect in respect of the reliefs, until shortly before to the report publication date, please see under "Main Changes in the Reporting Year - The Iron Swords War" in the Report of the Board of Directors and Management.

Credit quality in credit exposures (CR1)

		a	b	c	d
		December 31, 2024			
		a) Gross balance[a]		Model of provisions for anticipated credit losses.	Gross balance (A+B+C)
		In arrears of 90 days or more	Other		
		In NIS million			
1	Banks, governments and bonds	2,500	466,328	(6,908)	461,920
2	Bonds	-	91,632	(1)	91,631
3	Off-Balance Sheet Exposures	163	221,249	(842)	220,570
4	Total	2,663	779,209	(7,751)	774,121

		a	b	c	d
		December 31, 2023			
		Gross balance[a]		Model of provisions for anticipated credit losses.	Gross balance (A+B+C)
		In arrears of 90 days or more	Other		
		In NIS million			
1	Banks, governments and bonds	3,759	432,055	(6,731)	429,083
2	Bonds	-	126,001	(2)	125,999
3	Off-Balance Sheet Exposures	173	198,321	(747)	197,747
4	Total	3,932	756,377	(7,480)	752,829

a) In accordance with the accounting values reported in the financial statements, for on-balance-sheet and off-balance-sheet items that create credit risk exposure, as per Proper Conduct of Banking Business Directive No. 203.

Changes in the debt inventory classified as non-accruing (2CR)

For information regarding the balance and movement of non-accruing debts, see the Credit Risk Section in the Board of Directors and Management Report and Note 29 in the financial report.

Credit quality in credit exposures (CRB)

The Bank implements the Reporting to the Public Directives on impaired debts, credit risk, and allowance for credit losses.
The treatment of these directives is regulated by individual procedures and guidelines for the relevant parties. The following paragraphs outline only certain key aspects in this area with respect to the classification of debts and determining credit losses allowances.

Non-accruing loan

A debt is classified as non-performing when it is expected that the Bank will not be able to back all the amounts it due, based on the contractual terms and conditions of the debt agreement, based on up-to-date information and events, such as: The debt's extent of arrears; the borrower's financial position and solvency; an assessment of the primary repayment source for the debt; status of the collateral; the guarantors' financial position, etc.
A debt which is tested on a specific basis shall be classified as non-accruing whenever the principal or interest has been in arrears of 90 days or more, unless it is both well secured and in the process of collection.

An off-balance-sheet credit exposure will be classified as "non-accruing" if the liability for this debt is expected to materialize and the resulting balance sheet debt should be classified as "non-accruing".

Delinquent Debt

The delinquency status of a debt is determined according to the contractual repayment terms and conditions. Following are three possible delinquency situations:

1. Delinquency due to failure to repay a loan according to the contractual repayment terms and conditions.
2. An overdrawn current account.
3. Low turnover - as long as the account has not been credited with amounts needed to cover the debt within the defined period, even if the debt is within the credit line.

Rules for classifying debt according to the delinquency period:

- A debt examined individually and found to be delinquent for least 90 days shall be classified as non-accruing, unless it is adequately secured and in collection proceedings.
- The debt in question shall be classified according to the following rules:
    - Debt under special supervision - debt that is 70-89 days past due, or in accordance with certain negative indicators that are automatically triggered.
    - Substandard debt - debt that is 90-149 days past due, or in accordance with certain negative indicators that are automatically triggered.
    - Debt delinquent for at least 150 days -will be fully written off and derecognized for accounting purposes.

Credit exposures past due for more than 90 days that are not classified as non-accruing debt.

In accordance with the Bank of Israel directives in the specific cases detailed below, credit exposures past due for more than 90 days that are not classified as non-accruing debt.

- Loans tested on a collective basis shall be classified as delinquent when it has been in arrears of 90 days or more, will be fully written off after 150 days of non-payment.
- Loans tested on an individual basis which is well secured and in the collection process.

Government Agencies Debt

In accordance with the updated public reporting directives as of January 1, 2024, a debt, in respect of which the Bank, whether for economic or legal reasons related to financial difficulties of the borrower, grants the borrower a waiver by changing the terms of the debt, in order to enable the borrower to repay the cash payments in the short term or by accepting other assets as debt repayment. In order to determine whether a debt restructuring carried out by the Bank constitutes restructuring of a troubled debt, the Bank carries out a qualitative assessment of the debt restructuring's terms and conditions and circumstances with the aim of determining whether (1) the borrower has financial difficulties and (2) the Bank granted a concession to the borrower as part of the debt restructuring.

Starting from January 1, 2022, in accordance with the Bank of Israel's circular on expected credit losses CECL (No. 2634-06, dated November 29, 2021), a troubled debt restructuring (TDR) can be classified as either accruing or non-accruing interest.

A modification of troubled debt terms will not require its classification as non-accruing debt when:

- The modification of terms improves the likelihood of collection within a reasonable repayment schedule, based on a well-founded and up-to-date credit analysis.
- There is a history of timely repayments for at least six months.

Differences between the definitions of delinquency and default for accounting and regulatory purposes.

Below are the differences between the definitions of "delinquency and non-accrual loans" for accounting purposes and "past-due loans" for capital adequacy measurement (regulatory purposes).

1. A debt is classified as "delinquent" for accounting purposes after 30 days past due, whereas for capital adequacy measurement purposes, "past-due loans" as defined as such only after 90 days due.
2. A troubled debt restructuring (TDR) that has been modified and classified as accruing interest will be categorized as problematic or performing in accordance with the Bank of Israel's directives and Leumi's classification procedures. However, for capital adequacy measurement purposes, such debt will not be classified as "defaulted loan".
3. Off-balance-sheet loans are classified as non-performing debts if the materialization of the contingent liability, as specified in the relevant clause, is defined as "reasonably possible" and if the debts that may be recognized as a result of the materialization of the contingent liability meet the criteria for classification into this category. In contrast, for capital adequacy purposes, off-balance sheet exposures will be consistently classified according to the balance-sheet exposure classification of the same borrower.

For additional information about this segment, please see the chapter titled "Credit Risks" in the Report of the Board of Directors and Management as of December 31, 2024.

Impairment of Securities

At each reporting period, the Bank assesses the need to record losses for other-than-temporary impairment of the securities comprising the available-for-sale portfolio and the held-to-maturity portfolio. The assessment is carried out when there are indications that the value of the securities may have been non-performing. The criteria for determining whether the impairment is other-than-temporary are detailed in Note 1.I of the financial report

Allowance for credit losses

are based on the following considerations and tests:

- Specific Provision - non-performing debts, excluding housing loans, are debts which the Bank believes do not share the risk characteristics with performing debts, and therefore assesses their respective provision on a specific basis.

  With regards to commercial debt, the outstanding contractual balance of which (without deducting: charge-offs not involving legal waiver, deferred interest, loan loss provisions and collateral) is NIS 1 million or more, the provision is measured based on the present value of the expected cash flow discounted by the original effective interest rate of the debt, or when the debt is a collateral-dependent debt or when an asset is expected to be foreclosed, according to the fair value of the collateral that was pledged to secure that loan (net of costs to sell).
- Collective provision - regarding the remaining debts that do not meet the criteria for individual assessment as mentioned above.

For further information, please see Note 1.H to the financial statements as of December 31, 2024.

Total Credit Risk to the Public by Economic Sector

	December 31, 2024									
	Overall credit risk[(a)]			Debts[(b)] and off balance sheet credit risk (net of derivatives)[(c)]						
								Credit Losses		
					[1]Of which:					
	Total	Credit performance rating	Troubled[(e)]	Total[1]	Debts[(b)]	Troubled[(e)]	Non-performing	Expenses (income) in respect of loan losses	Charge-offs, net	Balance of loan loss provision
	In NIS million									
For borrowers' activity in Israel										
Public Trading										
Agriculture[(h)]	2,443	2,342	63	2,442	2,122	63	12	(24)	5	(125)
Mining and quarrying	1,177	1,122	55	1,100	880	55	-	20	-	(62)
Industry	35,312	34,495	791	34,396	19,391	791	188	(17)	(71)	(569)
Construction & real estate - construction[(g)]	132,957	131,625	1,023	132,903	70,086	1,023	407	100	118	(1,638)
Construction and real estate - real estate activity	55,413	54,774	380	54,927	48,229	380	117	42	(68)	(1,186)
Power and water supply	11,288	10,917	368	10,934	6,619	368	26	18	1	(158)
Commercial[(g)]	42,736	41,879	813	42,313	33,940	813	332	42	50	(744)
Hotels, accommodation and food services[(H)]	4,997	4,632	86	4,947	4,013	86	22	(13)	(5)	(49)
Transportation and storage	9,591	8,957	627	9,542	8,006	627	65	41	(21)	(287)
Information and Communications	7,680	7,572	46	7,502	4,032	46	9	(8)	(6)	(65)
Financial services	66,665	66,633	30	48,470	36,756	30	20	(27)	8	(216)
Business and other services	14,341	13,993	327	14,304	9,507	327	87	28	(11)	(457)
Public and community services	11,550	11,445	102	11,527	9,144	102	25	51	6	(213)
Commercial - total	396,150	390,386	4,711	375,307	252,725	4,711	1,310	253	6	(5,769)
Private individuals - housing loans	150,383	147,097	700	150,383	144,585	700	677	36	1	(669)
Private individuals - other	47,933	45,228	930	47,891	30,533	930	204	397	366	(988)
Total loans to the public - activity in Israel	594,466	582,711	6,341	573,581	427,843	6,341	2,191	686	373	(7,426)
Banks in Israel	3,755	3,755	-	3,291	3,056	-	-	17	-	(19)
Israeli Government	67,427	67,427	-	650	650	-	-	-	-	-
Total activity in Israel	665,648	653,893	6,341	577,522	431,549	6,341	2,191	703	373	(7,445)

a) On- and off-balance sheet credit risk, including derivatives. Including debts, bonds, securities borrowed or purchased under reverse repurchase agreements, credit risk for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 431.549, 66.782, 1.300, 20.044 and 145.973 million, respectively.
b) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations, excerpt for derivative instruments.
d) Including for off-balance-sheet credit instruments (presented in the balance sheet under "other liabilities").
e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
f) On-balance sheet credit risk and off-balance-sheet credit risk that is non-performing, substandard or special mention.
g) Including housing loans extended to certain purchasing groups currently in the process of construction.
h) The Bank believes that these industries are particularly exposed to the damage from the War.

	December 31, 2024									
	Overall credit risk(a)			Debts(b) and off-balance credit risk (net of derivatives)(c)						
								Credit Losses		
					1Of which:					
	Total	Credit performance rating	Troubled(e)	Total1	Debts(b)	Troubled(e)	Non-performing	Expenses (income) in respect of loan losses	Charge-offs, net	Balance of loan loss provision
	In NIS million									
For borrowers' activity outside Israel										
Public Trading										
Agriculture	292	291	-	285	116	-	-	(1)	-	-
Mining and quarrying	486	486	-	-	-	-	-	-	-	-
Industry	4,831	4,824	6	3,608	2,744	6	1	(23)	-	(22)
Construction and real estate	15,176	14,876	300	15,086	11,646	300	83	50	82	(182)
Power and water supply	1,574	1,574	-	1,085	750	-	-	(1)	-	(1)
Commerce	441	441	-	193	161	-	-	-	-	-
Hotels, accommodation and food services	4,299	3,536	683	4,275	4,024	683	171	(32)	(13)	(50)
Transportation and storage	731	720	11	512	511	11	11	(1)	-	-
Information and Communications	1,940	1,940	-	1,653	661	-	-	3	-	(7)
Financial services	47.268(g)	47,266	-	3,528	2,989	-	-	4	-	(18)
Business and other services	652	652	-	569	454	-	-	(2)	-	(1)
Public and community services	102	102	-	19	16	-	-	-	-	-
Commercial - total	77,792	76,708	1,000	30,813	24,072	1,000	266	(3)	69	(281)
Private individuals - housing loans	58	58	-	58	48	-	-	-	-	-
Private individuals - other	23	22	1	23	10	1	1	-	-	-
Total loans to the public - foreign operations	77,873	76,788	1,001	30,894	24,130	1,001	267	(3)	69	(281)
Foreign banks	40,337	40,337	-	14,083	11,261	-	-	3	-	(15)
Foreign governments	20,336	20,336	-	2,474	1,861	-	-	10	-	(11)
Total activity outside Israel	138,546	137,461	1,001	47,451	37,252	1,001	267	10	69	(307)
Total	804,194	791,354	7,342	624,973	468,801	7,342	2,458	713	442	(7,752)

a) On- and off-balance sheet credit risk, including for derivatives. Including: Debts, (b) bonds, securities borrowed or purchased under reverse repurchase agreements, credit risk for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 37,252, 50,130, 3,384, 37,581 and 10,199 million, respectively.

b) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations, excerpt for derivative instruments.

d) Including for off-balance-sheet credit instruments (presented in the balance sheet under “other liabilities”).

e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.

f) On-balance sheet credit risk and off-balance-sheet credit risk that is non-performing, substandard or special mention.

g) Including credit risk stemming from investments in asset-backed bonds. For further information, please see Note 12 to the financial statements as of December 31, 2024.

	December 31, 2023									
	Overall credit risk[a]			Debts[b] and off balance sheet credit risk (net of derivatives)[c]						
								Credit Losses		
					[1]Of which:					
	Total	Credit performance rating	Troubled[e]	Total[1]	Debts[b]	Troubled[e]	Non-performing	Expenses (income) in respect of loan losses	Charge-offs, net	Balance of loan loss provision
	In NIS million									
For borrowers' activity in Israel										
Public Trading										
Agriculture[h]	2,555	2,372	159	2,554	2,212	159	25	17	-	(158)
Mining and quarrying	919	916	3	892	688	3	-	10	-	(42)
Industry	35,530	34,515	912	34,593	19,226	912	174	48	(41)	(514)
Construction & real estate - construction[g]	120,160	118,420	1,479	120,133	66,246	1,479	1,113	708	62	(1,697)
Construction and real estate - real estate activity	51,813	51,213	412	50,987	43,831	412	149	152	(13)	(1,039)
Power and water supply	10,677	10,265	412	10,321	5,825	412	14	70	(1)	(140)
Commercial[g]	40,570	39,763	775	39,970	33,166	775	282	303	54	(749)
Hotels, accommodation and food services[H]	4,496	4,338	97	4,438	3,621	97	19	11	(2)	(56)
Transportation and storage	9,538	9,295	243	9,450	7,976	243	89	64	22	(222)
Information and Communications	6,847	6,663	139	6,645	3,618	139	14	(4)	(5)	(65)
Financial services	54,350	54,276	73	43,171	30,652	73	40	29	(1)	(250)
Business and other services	13,532	13,267	254	13,512	8,894	254	71	84	17	(417)
Public and community services	10,868	10,758	110	10,857	8,831	110	34	6	16	(167)
Commercial - total	361,855	356,061	5,068	347,523	234,786	5,068	2,024	1,498	108	(5,516)
Private individuals - Housing loans	135,561	130,761	713	135,561	130,568	713	688	221	6	(634)
Private individuals - Other	47,308	44,507	1,094	47,287	29,816	1,094	343	649	424	(957)
Total loans to the public - activity in Israel	544,724	531,329	6,875	530,371	395,170	6,875	3,055	2,368	538	(7,107)
Banks in Israel	3,272	3,272	-	2,516	2,515	-	-	(1)	-	(2)
Israeli Government	96,922	96,922	-	643	643	-	-	-	-	-
Total activity in Israel	644,918	631,523	6,875	533,530	398,328	6,875	3,055	2,367	538	(7,109)

a) On- and off-balance sheet credit risk, including for derivatives. Including: Debts, [b] bonds, securities borrowed or purchased under reverse repurchase agreements, credit risk for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 398,328, 97,318, 256, 13,814 and 135,202 million, respectively.
b) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations, excerpt for derivative instruments.
d) Including for off-balance-sheet credit instruments (presented in the balance sheet under “other liabilities”).
e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
f) On-balance sheet credit risk and off-balance-sheet credit risk that is non-performing, substandard or special mention.
g) Including housing loans extended to certain purchasing groups currently in the process of construction.
h) The Bank believes that these industries are particularly exposed to the damage from the War.

	December 31, 2023									
	Overall credit risk[(a)]			Debts[(b)] and off balance sheet credit risk (net of derivatives)[(c)]						
								Credit Losses		
					[1]Of which:					
	Total	Credit performance rating	Troubled[(e)]	Total[1]	Debts[(b)]	Troubled[(e)]	Non-performing	Expenses (income) in respect of loan losses	Charge-offs, net	Balance of loan loss provision
	In NIS million									
For borrowers' activity outside Israel										
Public Trading										
Agriculture	416	415	-	409	256	-	-	-	-	(1)
Mining and quarrying	698	698	-	-	-	-	-	-	-	-
Industry	5,919	5,764	155	4,285	3,181	155	-	(19)	(2)	(48)
Construction and real estate	12,679	12,447	231	12,551	9,090	231	116	113	11	(206)
Power and water supply	559	559	-	144	7	-	-	-	-	-
Commerce	639	639	-	262	247	-	-	1	(1)	(1)
Hotels, accommodation and food services	3,906	2,786	1,119	3,892	3,747	1,119	585	(39)	(16)	(71)
Transportation and storage	707	686	20	501	500	20	15	-	-	(1)
Information and Communications	897	886	11	481	124	11	11	(6)	(1)	(12)
Financial services	39,355[(g)]	39,354	-	3,642	3,379	-	-	(12)	(1)	(15)
Business and other services	548	548	-	457	441	-	-	5	-	(3)
Public and community services	42	42	-	7	6	-	-	(1)	(1)	-
Commercial - total	66,365	64,824	1,536	26,631	20,978	1,536	727	42	(11)	(358)
Private individuals - housing loans	57	57	-	57	56	-	-	-	-	-
Private individuals - other	15	14	1	15	6	1	1	-	-	-
Total loans to the public - foreign operations	66,437	64,895	1,537	26,703	21,040	1,537	728	42	(11)	(358)
Foreign banks	40,503	40,503	-	18,398	15,283	-	-	(25)	-	(13)
Foreign governments	28,384	28,384	-	1,468	1,163	-	-	(1)	-	(1)
Total activity outside Israel	135,324	133,782	1,537	46,569	37,486	1,537	728	16	(11)	(372)
Total	780,242	765,305	8,412	580,099	435,814	8,412	3,783	2,383	527	(7,481)

a) On- and off-balance sheet credit risk, including for derivatives. Including: Debts, [(b)] bonds, securities borrowed or purchased under reverse repurchase agreements, credit risk for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 37,486, 57,815, 2,797, 28,143 and 9,083 million, respectively.
b) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations, excerpt for derivative instruments.
d) Including for off-balance-sheet credit instruments (presented in the balance sheet under "other liabilities").
e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
f) On-balance sheet credit risk and off-balance-sheet credit risk that is non-performing, substandard or special mention.
g) Including credit risk stemming from investments in asset-backed bonds. For further information, please see Note 12 to the financial statements as of December 31, 2024.

Credit exposures by remaining repayment period[a]

	December 31, 2024					
	Up to one year	Three to five years	Over five years-15 years	Over 15 years	Total credit exposure	Average maturity period
	In NIS million					
Current credit exposure:						
Commercial	188,534	90,290	45,835	27,665	352,324	3.89
Private individuals - housing loans	14,068	51,520	102,101	52,750	220,439	9.24
Private individuals - other	13,940	17,645	4,697	150	36,432	3.07
Assets in respect of derivatives	15,788	5,926	2,823	-	24,537	2.40
Total - public	232,330	165,381	155,456	80,565	633,732	5.65
Banks and governments[b]	173,787	54,189	33,935	13,731	275,642	3.22
Total on-balance-sheet credit exposure	406,117	219,570	189,391	94,296	909,374	4.91
of which: Bonds	18,762	56,803	52,266	21,754	149,585	7.03
Total off-balance credit exposure	98,349	109,479	13,584	-	221,412	2.48

	December 31, 2023					
	Up to one year	Three to five years	Over five years-15 years	Over 15 years	Total credit exposure	Average maturity period
	In NIS million					
Current credit exposure:						
Commercial	166,600	93,615	42,270	30,491	332,976	4.13
Private individuals - housing loans	11,627	42,671	98,676	49,407	202,381	9.47
Private individuals - other	17,652	9,037	2,817	2,639	32,145	3.66
Assets in respect of derivatives	15,305	5,340	2,024	497	23,166	2.52
Total - public	211,184	150,663	145,787	83,034	590,668	5.87
Banks and governments[b]	194,553	34,382	13,959	14,780	257,674	2.68
Total on-balance-sheet credit exposure	405,737	185,045	159,746	97,814	848,342	4.90
of which: Bonds	91,745	38,153	24,621	27,339	181,858	5.06
Total off-balance credit exposure	83,288	106,950	8,256	-	198,494	2.41

a) The amounts represent expected future cash flows according to the remaining periods until the contractual maturity date of each cash flow, for both on-balance-sheet and off-balance-sheet credit risk exposure (excluding off-balance-sheet credit risk arising from derivative instruments).

b) Including bonds issued by banks and governments, as well as assets related to derivative instruments with banks.

Exposures to foreign countries[a]

Part A - Information regarding total exposure to foreign countries and to countries where the total exposure to each country is the lower of the following: More than 1 percent of consolidated total assets or more than 20 percent of total capital for the purpose of calculating the capital ratio:

Country	1	2	3	4	5	4-5=6
	December 31, 2024					
	Balance sheet exposure[a]					
	Cross-border balance sheet exposure			Balance sheet exposure of the banking corporation's foreign offices to the local residents of that foreign country		
	Governments	To banks	To others	Balance sheet exposure Before deduction of local liabilities	Deduction for local liabilities	Balance sheet exposure Net balance sheet exposure after deduction of local liabilities
	In NIS million					
United States	26,669	2,399	16,613	-	-	-
UK	-	4,644	5,055	8,782	182	8,600
France	-	932	101	-	-	-
Switzerland	-	2,533	298	3	3	-
Germany	3,109	198	151	-	-	-
Cayman Islands[i]	-	-	8,562	-	-	-
Other	2,022	7,860	5,571	-	-	-
Total exposure to foreign countries	31,800	18,566	36,351	8,785	185	8,600
Of which: total exposure to LDC [f] countries	622	205	380	-	-	-
Of which: total exposure to GIPS countries[e]	-	315	289	-	-	-

Country	1	2	3	4	5	4-5=6
	December 31, 2023					
	Balance sheet exposure[a]					
	Cross-border balance sheet exposure			Balance sheet exposure of the banking corporation's foreign offices to the local residents of that foreign country		
	Governments	To banks	To others	Balance sheet exposure Before deduction of local liabilities	Deduction for local liabilities	Balance sheet exposure Net balance sheet exposure after deduction of local liabilities
	In NIS million					
United States	31,098	1,400	12,875	-	-	-
UK	22	3,723	5,354	8,000	209	7,791
France	-	1,432	97	-	-	-
Switzerland	434	3,440	310	4	4	-
Germany	4,068	1,282	181	-	-	-
Cayman Islands[i]	-	-	6,495	-	-	-
Other	4,701	10,417	4,616	-	-	-
Total exposure to foreign countries	40,323	21,694	29,928	8,004	213	7,791
Of which: total exposure to LDC [f] countries	373	192	699	-	-	-
Of which: total exposure to GIPS countries	120	82	51	-	-	-

Please see comments on page 50.

6+3+2+1=7	8	9	10	11	12	13
			Of which: Total off balance-sheet exposure(b)(c)(d)		Cross-border balance sheet exposure(b)	
Total balance sheet exposure						
	Problem balance-sheet credit risk	Non-performing debts	Of which: Total off balance-sheet exposure	Of which: Troubled credit risk(d) Problematic Off-balance sheet exposure(B)	Maturing within one year	Maturing in over one year
45,681	229	229	9,161	-	13,879	31,802
18,299	228	13	30,651	-	5,040	4,659
1,033	-	-	4,624	-	260	773
2,831	-	-	3,657	-	2,510	321
3,458	94	-	5,692	-	1,160	2,298
8,562	-	-	673	-	5,608	2,954
15,453	605	4	7,586	2	6,745	8,708
95,317	1,156	246	62,044	2	35,202	51,515
1,207	-	-	1,591	-	675	532
604	41	-	167	-	280	324

6+3+2+1=7	8	9	10	11	12	13
			Balance sheet exposure(b)(c)(d)		Cross-border balance sheet exposure(b)	
Total balance sheet exposure						
	Problem balance-sheet credit risk	Non-performing debts	Of which: Total off balance-sheet exposure	Of which: Troubled credit risk(d) Problematic Off-balance sheet exposure(B)	Maturing within one year	Maturing in over one year
45,373	288	288	9,412	-	19,934	25,439
16,890	491	383	24,137	-	1,389	7,710
1,529	-	-	1,418	-	899	630
4,184	-	-	3,967	-	3,769	415
5,531	-	-	4,381	-	3,512	2,019
6,495	-	-	776	-	3,289	3,206
19,734	579	4	7,793	2	9,929	9,805
99,736	1,358	675	51,884	2	42,721	49,224
1,264	-	-	1,726	-	469	795
253	-	-	174	-	88	165

Please see comments on the next page.

Comments:

a) Exposure to foreign countries is presented based on the final risk.
b) On-balance sheet credit risk and off-balance-sheet credit risk are stated before the effect of loan loss provision and the effect of deductible collateral for the purpose of restricting indebtedness of individual borrowers and borrower groups.
c) On balance-sheet credit risk and off-balance-sheet credit risk for derivatives are presented after deducting credit risk.
d) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
e) Exposure to the GIPS countries includes: Greece, Italy, Portugal, and Spain.
f) The Exposure to LDCs line item includes total exposure to countries defined as Less Developed Countries (LDCs), which are classified by the World Bank as low- or mid-income countries.
g) The Bank set several criteria, according to which a list of several countries was drawn, where the current conditions may reflect liquidity problems and which may have an effect on their solvency. The balance applies to 30 countries (as of December 31, 2023 to 24 countries). The measurement does not include exposures to investment-grade countries, unless they were individually identified as having liquidity issues which may have a material effect on their solvency.

Part B - information regarding the countries where the total exposure of each range between 0.75% and 1% of total consolidated assets or between 15% and 20% of equity, whichever the lower:

As at December 31, 2024, there is no aggregate on-balance-sheet exposure to foreign countries that meets this definition.

On December 31, 2023, the initiatives amounted to NIS 6.5 billion.

Methods for Credit Risk Mitigation (CRC)

Under its credit risk management policy, the Bank's main consideration when providing credit is a borrower's repayment capacity. Therefore, in many cases, the Bank strives to obtain collateral as additional backup, so as to reduce loss to the Bank in the event of a borrower's business- or financial failure. The value of collateral is derived, inter alia, from a borrower's credit risk level.

As part of its collateral policy and relevant internal procedures, principles and guidelines regarding the types and scope of collateral have been established for all sectors of the economy. Collateral requirements and rates derive from the level of risk the Bank is willing to assume when granting a loan.

Furthermore, business criteria are determined on receiving a collateral as well as the rate of reliance on the collateral, its handling, methods and timing for updating its value and means of control and monitoring.

As far as possible, collateral is adapted to the kind of credit it secures, taking into account the time frame, types of linkage, nature and purpose of the credit, as well as the speed in which the collateral can be realized. The Bank verifies the value of the main collateral (particularly in the real estate and equipment fields) by obtaining independent, up-to-date appraisals or valuations.

The most common types of collateral the Bank accepts to secure credit include, inter alia, financial assets, real estate properties, motor vehicles, various types of equipment, etc.

The Bank has a computerized system which can generate information regarding the type of assets used as collateral.

In order to mitigate the credit risk under the standardized approach, the Bank employs the comprehensive method for handling collaterals.

The main instruments recognized as valid collateral by the Bank under the standardized approach are shekel deposits, foreign currency deposits, savings plans and government bonds.

A collateral is recognized as valid when it meets the requirements of Proper Conduct of Banking Business Directive No. 203, including legal certainty, the right to early call back in case of credit failure and applicability to third parties.

Among other things, the Bank uses netting letters that meet the terms and conditions set forth in Proper Conduct of Banking Business Directive No. 203, in order to use the net exposure of loans and deposits as the basis for calculating capital adequacy.

To change the risk weighting of debts backed by guarantees to the risk weighting of the security provider, when calculating the risk assets under the standardized approach, the Bank recognizes mainly the following types of collateral as valid - government guarantees, guarantees by Israeli banks and credit guarantees and insurance policies by reinsurers, which are similar in nature and which meet the validity criteria for capital adequacy purposes. For this purpose, the bank primarily recognizes guarantee and insurance policies issued by the State of Israel, domestic bonds, credit institutions, and other highly rated insurers that meet the criteria for recognition as eligible guarantees for capital adequacy purposes

The Bank insures the guarantees portfolio under the Sales Law (Apartments), part of the financial loan portfolio for the financing of land, as well as part of the performance and formalities guarantee portfolio associated with the construction and real estate sectors.

The insurance transactions enable the Bank to reduce the capital held for the credit risk arising from the issuance of the guarantees or loans extended for lands, while using the policy as a credit risk mitigator (the reduction is in line with the rating of the reinsurers).

Methods for Credit Risk Mitigation - (CR Overview 3)

		a	1A	2A	b	c	d	e
		December 31, 2024						
		Unsecured	secured[c]					
					Of which: by collateral		Of which: by financial guarantees	
		Total carrying amount[b]	Total carrying amount[b]	Of which: secured amount[b]	Carrying amount[a]	Of which: secured amount[b]	Carrying amount[a]	Of which: secured amount[b]
		In NIS million						
1	Banks, governments and bonds	381,552	80,368	45,816	58,217	27,700	22,151	18,116
2	Bonds	77,934	13,697	13,391	-	-	13,697	13,391
3	Total	459,486	94,065	59,207	58,217	27,700	35,848	31,507
4	Of which: impaired or in arrears of 90 days or more	2,419	81	21	36	4	45	16

		a	1A	2A	b	c	d	e
		December 31, 2023						
		Unsecured	secured[c]					
					Of which: by collateral		Of which: by financial guarantees	
		Total carrying amount[b]	Total carrying amount[b]	Of which: secured amount[b]	Carrying amount[a]	Of which: secured amount[b]	Carrying amount[a]	Of which: secured amount[b]
		In NIS million						
1	Banks, governments and bonds	359,619	69,464	40,345	48,812	21,057	20,652	19,288
2	Bonds	112,181	13,818	13,235	-	-	13,818	13,235
3	Total	471,800	83,282	53,580	48,812	21,057	34,470	32,523
4	Of which: impaired or in arrears of 90 days or more	3,594	165	31	111	14	54	17

a) Carrying amount balance in accordance with the accounting values reported in the financial statements, after deducting credit loss provisions or other non-temporary impairments

b) Carrying amount balance of the portion of debt amounts secured by collateral, guarantees, or credit derivatives, after considering security deposits

c) Carrying amount balance in accordance with the accounting values reported in the financial statements, after deducting credit loss provisions or other non-temporary impairments, partially or fully secured, regardless of the specific portion that was secured in the original exposure.

The use of external credit ratings in the standardized approach to credit risk (CRD)

The risk for credit exposures is weighted based on the standardized approach. Under this approach, risk weightings depend on exposure types, and in some cases, rely on associated credit ratings (insofar as an eligible rating is available). In case such exposures have ratings as foregoing, the Bank uses the credit ratings of three external credit rating agencies:

- Standard & Poor's Ratings Services
- Moody's Investors Service
- Fitch Ratings

In order to determine the risk weightings in accordance with the credit ratings as foregoing, the Bank uses the standardized mapping tables prescribed by the Banking Supervision Department under Proper Conduct of Banking Business Directive No. 203 as updated from time to time.

Risk weightings for debts of rated corporations are determined on the basis of the long-term credit ratings of these corporations, in the following manner: When the debt has a single rating, that rating is used to determine the debt's risk weighting. When there are two ratings, by two different agencies, mapped for different risk weightings, the higher risk weighting is selected. When three ratings are available, the best two ratings will take into account, and from these, the risk weighting referring to the lower rating of the two will be selected.

The rating of the State of Israel has an effect on the capital requirements in respect of the Bank's exposures to the Israeli government and exposure to banks, institutional entities and public sector entities in Israel. The Bank estimates that a further downgrade (by one notch) in the credit rating of the State of Israel by one or even several of the rating agencies that rate the State of Israel, will not affect the Bank's capital adequacy ratios.

Standard approach - Credit Risk Exposure and the effects of Credit Risk Mitigation[(a)] (4CR)

		a	b	c	d	e	f
		December 31, 2024					
		Exposures before CCF and CRM		Exposures after CCF and CRM		RWA and RWA density	
	Types of Assets	Balance-sheet amount[(b)]	Off-balance sheet amount[(c)]	Balance-sheet amount[(b)]	Off-balance sheet amount[(c)]	RWA	RWA density
		In NIS million					
1	Sovereigns, their central banks, and a national monetary authority	209,232	616	222,395	103	865	0.39%
2	Public Sector Entities (PSE), that are not central government	21,258	2,757	10,649	1,808	4,273	34.30%
3	Banks, including Multilateral Development Banks (MDB)	26,031	9,346	21,066	2,919	6,395	26.66%
4	Securities companies and	4,371	1,388	1,363	280	471	28.67%
5	Corporations	138,409	56,396	138,900	40,541	157,795	87.94%
6	Retail exposures to individuals	38,944	22,081	38,712	3,510	31,669	75.01%
7	Loans to small businesses	17,286	5,309	15,967	1,261	12,925	75.02%
8	Secured by residential property	143,224	12,376	141,153	2,687	76,811	53.40%
9	Secured by commercial real estate	104,331	113,389	86,346	24,209	111,875	101.19%
10	Past due Loans[(d)]	2,493		2,308		2,980	129.12%
11	Other Assets	16,294	-	16,294	-	13,428	82.41%
12	Total	721,873	223,658	695,153	77,318	419,487	54.30%

		a	b	c	d	e	f
		December 31, 2023					
		Exposures before CCF and CRM		Exposures after CCF and CRM		RWA RWA and RWA density	
	Types of Assets	Balance-sheet amount[(b)]	Amount Off-balance sheet[(b)]	Balance-sheet amount[(b)]	Off-balance sheet amount[(c)]	RWA	RWA density
		In NIS million					
1	Sovereigns, their central banks, and a national monetary authority	191,834	307	201,450	392	1,006	0.50%
2	Public Sector Entities (PSE), that are not central government	20,272	2,731	9,699	1,289	3,976	36.18%
3	Banks, including Multilateral Development Banks (MDB)	28,872	9,241	23,647	2,915	8,621	32.46%
4	Securities companies and	3,411	1,781	1,513	212	306	17.74%
5	Corporations	127,066	55,923	130,839	38,214	146,302	86.54%
6	Retail exposures to individuals	36,687	21,578	36,449	3,410	29,893	75.00%
7	Loans to small businesses	16,922	4,997	15,552	1,225	12,583	75.00%
8	Secured by residential property	129,291	10,366	126,977	2,349	69,075	53.41%
9	Secured by commercial real estate	96,443	92,664	81,372	18,711	103,728	103.64%
10	Past due Loans[(d)]	2,608		2,434		3,005	123.46%
11	Other Assets	13,251	-	13,251	-	10,814	81.61%
12	Total	666,657	199,588	643,183	68,717	389,309	54.69%

a) The balances disclosed include on-balance-sheet and off-balance-sheet debt balances that reflect credit risk, excluding deferred tax amounts and investments in financial institutions below the deduction thresholds (subject to a 250% risk weight, as well as exposure related to counterparty credit risk (which are included in Section 5A of this report) and securitizations.

b) The balances reflect the regulatory exposure amounts, net of provisions and write-offs, and after applying credit risk mitigation techniques.

c) The balances reflect the regulatory exposure amounts, net of provisions and write-offs, after applying credit conversion factors and credit risk mitigation techniques.

d) On-balance and off-balance-sheet balances have been merged due to immateriality.

Standard approach - exposures by asset types and risk weights[a] [b] CR (5)

	Types of Assets/Risk probability	a	c	d	e	f		g	h	I	13
		December 31, 2024									
		0%	2%	20%	35%	50%	60%	75%	100%	150%	Total credit exposure amount (after CCF or after CRM)
		In NIS million									
1	Sovereigns, their central banks, and a national monetary authority	220,542	-	1,305	-	94	-	-	557	-	222,498
2	Public Sector Entities (PSE), that are not central government	2,027	-	3,179	-	7,228	-	-	23	-	12,457
3	Banks, including Multilateral Development Banks (MDB)	2,666	-	14,742	-	6,261	-	-	316	-	23,985
4	Securities companies and	-	-	1,266	-	321	-	-	56	-	1,643
5	Corporations	-	-	16,592	-	17,589	-	-	144,406	854	179,441
6	Retail exposures to individuals	-	-	-	-	-	-	42,222	-	-	42,222
7	Loans to small businesses	-	-	-	-	-	-	17,215	13	-	17,228
8	Secured by residential property	-	-	-	36,639	39,192	49,026	16,030	2,953	-	143,840
9	Secured by commercial real estate	-	-	-	-	-	-	-	107,916	2,639	110,555
10	Loans in arrears	-	-	-	-	-	-	-	966	1,342	2,308
11	Other Assets	3,495	-	-	-	-	-	-	11,539	1,260	16,294
11a	Of which: in lieu of Stock contracts	-	-	-	-	-	-	-	8,083	1,260	9,343
12	Total	228,730	-	37,084	36,639	70,685	49,026	75,467	268,745	6,095	772,471

	Types of Assets/Risk probability	a	c	d	e	f		g	h	I	13
		December 31, 2023									
		0%	2%	20%	35%	50%	60%	75%	100%	150%	Total credit exposure amount (after CCF or after CRM)
		In NIS million									
1	Sovereigns, their central banks, and a national monetary authority	198,003	-	3,356	-	296	-	-	187	-	201,842
2	Public Sector Entities (PSE), that are not central government	1,672	-	2,320	-	6,969	-	-	27	-	10,988
3	Banks, including Multilateral Development Banks (MDB)	2,419	-	11,594	-	12,502	-	-	41	6	26,562
4	Securities companies and	-	-	1,473	-	247	-	-	5	-	1,725
5	Corporations	-	-	18,953	-	16,164	-	-	133,185	751	169,053
6	Retail exposures to individuals	-	-	-	-	-	-	39,859	-	-	39,859
7	Loans to small businesses	-	-	-	-	-	-	16,777	-	-	16,777
8	Secured by residential property	-	-	-	33,963	35,433	41,054	16,145	2,731	-	129,326
9	Secured by commercial real estate	-	-	-	-	-	-	-	92,792	7,291	100,083
10	Loans in arrears	-	-	-	-	-	-	-	1,294	1,140	2,434
11	Other Assets	3,022	-	-	-	-	-	-	9,058	1,171	13,251
11a	Of which: in lieu of Stock contracts	-	-	-	-	-	-	-	5,418	1,171	6,589
12	Total	205,116	-	37,696	33,963	71,611	41,054	72,781	239,320	10,359	711,900

a) The balances disclosed include on-balance-sheet and off-balance-sheet debt balances that reflect credit risk, excluding deferred tax amounts and investments in financial institutions below the deduction thresholds (subject to a 250% risk weight, as well as exposure related to counterparty credit risk and securitizations (which are included in Section 5A of this report) and securitizations (as included in Appendix B of this report)

b) The balances reflect the regulatory exposure amounts, net of provisions and write-offs, after applying credit conversion factors and credit risk mitigation techniques.

Additional Information on Credit Risk

Risks to the construction and real estate industries

Activity and risk boundaries in the construction and real estate industry

The construction and real estate sector are an area of activity to which the Bank has a significant credit exposure, among other things in view of the natural demand for housing in Israel, which increases over time, the fact that the credit is backed by real collateral. As with other economic sectors, the bank's credit policy outlines internal methodologies and criteria for financing transactions in each of the real estate industry's sub-sectors.

Credit granted to the real estate sector is in line with the Bank's risk appetite, in accordance with strict underwriting, a stringent financing and supervision method, property collateral and adequate pricing.

The Bank closely monitors the real estate credit portfolio, while following macroeconomic trends and the development of the segment's risk characteristics, including the impact of the war, interest rate hikes, and housing demand on real estate companies.

Leumi continues to proactively expand the real estate portfolio, focusing on the housing segment and selected financially resilient customers. The Bank is careful to maintain geographical diversification of the projects, according to demand and macroeconomic forecasts.

The challenges of the period due to the war including absent employees, increase of input prices and increase in financing expenses led to an increase in the projects' budgets.

Over the past year, the scope of non-linear (20/80) payment methods and/or loans are subsidized by developers. This is a long-time marketing move that has been common among real-estate developers for years and its scope varies according to the market fluctuations and other macroeconomic data.

It should be emphasized that in respect of each project, including projects in which there are non-linear payment methods, a meticulous underwriting process is conducted. As part of projects' underwriting, we take into account the aforementioned impacts, including the updated financing expenses, as we also ensure that the supervisors give this expression in the zero reports and the follow-up reports, and address the up-to-date costs. Additionally, as part of the underwriting process and throughout the project, the cash-flow needs of the project are examined according to the various effects, including the various payment methods for the sales in the project.

It should be further noted that all of the budgets include a significant unexpected clause, which is derived from the overall cost, which grants an additional cushion for coping with the exposure resulting from one or more of the reasons listed above.

The Bank insures the guarantees portfolio under the Sales Law (Apartments), part of the financial loan portfolio for the financing of land, as well as part of the performance and formalities guarantee portfolio associated with the construction and real estate sectors.

As of December 31, 2024, the Bank complies with the regulatory limitation pertaining to the concentration ratio. In addition, the Bank set internal limitations that are in line with the Bank's assessment of the risk in the various sub-sectors. Nevertheless, considering the significant credit needs in the sector on the one hand and the regulatory limitation on the other, the Bank is working on implementing a plan to reduce the concentration ratio using various instruments.

The balance of the provision for credit losses due to the overall credit risk in the construction and real estate segments in Israel as of September 31, 2024 in the sum of NIS 2.824 million, compared to the sum of NIS 2.736 million as of December 31, 2023. The balance of the provision due to the overall credit risk in the construction and real estate segments from the overall credit risk in the portfolio as of December 31, 2024 is 1.50%.

The problematic credit risk in the construction and real estate segments in Israel as of December 31, 2024 is in the sum of NIS 1.403 million, compared to the sum of NIS 1.891 million as of December 31, 2023. The rate of the problematic credit risk in the construction and real estate segments from the overall credit risk in the portfolio as of December 31, 2024 is 0.74% compared to the rate of 1.10% as of December 31, 2023.

Despite improvement in such credit quality indices, the increase in the sums of provision for credit loss reflect, inter alia, the effects of the continued war and uncertainty in the economy regarding the construction and real estate segments.

For further information on the absorption capacity and the rate of financing in the economy, construction and real estate segments in Israel at the Bank see further down this chapter.

Some of the above information constitutes "forward-looking information". For the meaning of the term, please see the chapter "Forward-Looking Information".

For additional information on activity and risk boundaries in the construction and real estate industry, please see the chapter titled "Credit Risks" in the Report of the Board of Directors and Management as of December 31, 2024.

Macroeconomic effects and the "Iron Swords" War

In addition to the details provided in the credit section above, in the residential construction sector, a decline in housing completions was recorded during 2024, likely due to a decrease in the labor force at some construction sites. This was driven by the replacement of Palestinian construction workers with other workers (Israeli and foreign workers) and also due to the impact on the ability to carry out work under fire. The slowdown in housing construction starts continued in 2024, following a trend that begins even before the war, against the backdrop of high inflation and interest rates.

On the demand side, 2024 saw an improvement in new home sales compared to the previous two years, accompanied by a rise in prices. Housing prices may continue to rise over the coming year. This comes against the back drop of the war's impact on construction activity and the anticipated interest rate cuts by the Bank of Israel later this year. In the commercial real estate domain, as of the eve of the War, there was a slowdown in retail sectors, due to the deterioration in the macro environment (the damage from inflation and rising interest rates on the public's purchasing power, along with the increasing economic uncertainty and the weakening consumer sentiment), and continued expansion in the share of online commerce. Since the outbreak of the war, activity in shopping centers has been positively impacted by extensive government support for households and the reduced number of Israelis traveling abroad. However, the expected decline of these effects over the coming year, alongside the erosion of purchasing power due to tax hikes and increases in government service fees in early 2025, may lead to a slowdown in shopping center activity during 2025. Most of the adverse effect may be felt in large shopping centers, while neighborhood shopping centers may continue to fare better.

The office sector experienced a slowdown in demand since the second half of 2022, including a substantial decrease in rental prices in Tel Aviv and surrounding areas along with significant decline in occupancy rates in some areas of Tel Aviv. The economic recovery process from the war, as it gains momentum, my support the stabilization of office rental prices over the coming year and potentially lead to a renewed increase, particularly in Tel Aviv. Conversely, the continued substantial growth in the supply of new office space (especially in the suburbs of Tel Aviv and Jerusalem) are factors that are expected to put pressure on prices and occupancy rates in the coming year and even result in their decrease, especially on the outskirts of Tel Aviv and Jerusalem.

In order to reflect the uncertainty regarding the effects of the war on the construction and real estate sectors, a collective provision for credit losses in these sectors had been made, as aforementioned.

It is clarified that the uncertainty regarding the trajectory of the War's development and its ramifications is still high, such that the provision may change - increase or decrease - in the future in accordance with the developments.

Some of the above information constitutes "forward-looking information". For the meaning of the term, please see the chapter "Forward-Looking Information".

Development of overall credit risk for the construction and real estate industry (in and outside Israel)

	December 31			
	2024	2023	Change	
	In NIS million		In NIS million	In %
On-balance-sheet credit risk	**130,376**	119,714	10,662	8.9
Guarantees for apartment buyers[(a)]	**12,203**	9,915	2,288	23.1
Other off balance sheet credit risk[(a)]	**60,967**	55,023	5,944	10.8
Total overall credit risk	**203,546**	184,652	18,894	10.2

a) In credit risk terms.

Following are the details on overall credit risk in the real estate and construction sector in Israel, by LTV and absorption capacity - the Bank

	December 31, 2024			
	Overall credit risk[(a)]			
	Land	Housing real estate under construction	Finished real estate properties	Total
	In NIS million			
LTV ratio[(b)]				
Up to 45%	2,014		9,945	11,959
More than 45% to 65%	4,360		16,396	20,756
More than 65% to 80%	26,230		18,520	44,750
More than 80%	3.049[(d)]		3,793	6,842
Absorption capacity[(c)]				
More than 25% and up to 50%		9,633		9,633
More than 50% and up to 75%		10,309		10,309
More than 75%		16,350		16,350
Projects that have not yet started		19,023		19,023
Other[(e)]				48,245
Total credit risk for construction and real estate in Israel				187,867

	December 31, 2023			
	Overall credit risk[(a)]			
	Land	Housing real estate under construction	Finished real estate properties	Total
	In NIS million			
LTV ratio[(b)]				
Up to 45%	1,267		8,831	10,098
More than 45% to 65%	6,384		16,156	22,540
More than 65% to 80%	22,668		16,350	39,018
More than 80%	8,950[(d)]		5,771	14,721
Absorption capacity[(c)]				
Up to 25%		799		799
More than 25% and up to 50%		10,472		10,472
More than 50% and up to 75%		4,824		4,824
More than 75%		14,554		14,554
Projects that have not yet started		10,203		10,203
Other[(e)]				44,744
Total credit risk for construction and real estate in Israel				171,973

a) On-balance sheet credit risk and off-balance-sheet credit risk are stated before the effect of loan loss provision and the effect of permitted collateral for borrower indebtedness.
b) LTV rate - the ratio between the balance of total credit risk as of the reporting date and the value of the real estate security guaranteeing the credit risk as of the reporting date.
c) Absorption capacity – an indicator reflecting the maximum rate of erosion of apartment inventory prices such that it provides adequate coverage to the project's costs, taking into account own capital invested and presale.
d) Most of the outstanding balance is in respect of credit that is also backed by non-land collateral and/or another repayment source.
e) Other credit refers to all credit that does not meet the definition above and includes, among other things, credit provided against collateral that is not real estate and that is non-residential real estate under construction and real estate under construction that is not available for sale.

Following is the composition of credit secured by real estate properties in Israel - the Bank

	December 31	
	2024	2023
	Overall credit risk[(a)]	
	In NIS million	
Housing	**98,089**	86,065
Office space	**23,429**	23,253
Industry	**9,363**	7,993
Commerce and services	**26,907**	25,146
Total overall credit risk secured by real estate collateral in Israel	**157,788**	142,457

a) On-balance sheet credit risk and off-balance-sheet credit risk are stated before the effect of loan loss provision and the effect of permitted collateral for borrower indebtedness.

Analysis of total credit risk in the construction and real estate sectors (in Israel and abroad)

	December 31		
	2024	2023	
	In NIS million		Change in %
Credit risk in credit performance rating			
Non-troubled Credit Risk	**201,275**	182,080	10.5
Non-investment grade credit risk			
Non-troubled	**568**	450	26.2
Troubled performing	**1,096**	744	47.3
Non-performing	**607**	1,378	(56.0)
Total non-investment grade credit risk	**2,271**	2,572	(11.7)
Total	**203,546**	184,652	10.2

Housing Loans Portfolio Risks

Credit risk developments

After a significant increase in home sales in the first half of 2024, a slight decline in sales volumes was observed from then until the eve of ceasefire in the north. Additionally, the quarterly rate of housing price increases moderated, led by the resale housing segment. This occurs against the backdrop of a less supportive macroeconomic environment, characterized by high uncertainty, inflation, and relatively high interest rates. The volume of residential construction activity continued to recover in the second half of 2024. However, industry output remains lower than pre-war levels due to the significant shortage of construction workers throughout most of the past year.

In the fourth quarter of 2024, the reliefs given to customers by the Bank of Israel were again extended, including reliefs freezing mortgage payments. It should be noted that many freezes, which were given over the last period, have ended and were not extended by the borrowers.

As a result, the scope of the loans in which there is a suspension of payments as of the end of December 2024 is approximately NIS 3.2 billion, compared to approximately NIS 3.4 billion as of September 2024 and NIS 4.4 billion as of the end of June 2024, and NIS 9.0 billion as of the end of March 2024.

During the year gone by the scope of loans subsidized by the developer in the first-hand apartments segment increased as a tool serving for encouragement of the project's marketing and lowering the financing expenses. It should be emphasized that as part of the meticulous underwriting process on the full scope of the financing an underwiring is conducted in respect of the mortgage for the full scope of financing already at the initial stage of the subsidized loan, in order to ensure that the borrower obtaining the credit is of full repayment capacity under the customary terms.

In November 2024, the bank announced its intention to establish internal limits on the financing ratio and the required equity volume for contractor subsidized loans.

For additional information of all the relevant publications of the Bank of Israel and additional reliefs provided by the Bank, please see the chapter titled "Main Changes in the Period Gone By - the Iron Swords War" in the Report of the Board of Directors and Management and the chapter entitled "Legislation and Regulations Governing the Banking System" in the Corporate Governance Report as of December 31, 2024.

The Bank continues to adhere to an underwriting policy that takes into consideration the borrower's repayment capacity, linkage base and interest, loan-to-value ratio (LTV), etc., while complying with all of the requirements of the Banking Supervision Department.
The housing loan portfolio is monitored on a regular basis, including analysis of the trends in terms of characteristics and risk.

In case of default, the risk of default is managed by the Bank in two ways - the first is preventive, to mitigate the risk of default and the second - collecting debt in case of default.

The first stage - Actions for reducing the probability of default:

- Underwriting - based on regulatory restrictions (Directive No. 329 - examining repayment capacity, LTV and credit mix) and is backed by models testing credit risk, which rely - inter alia - on information from the customer's Leumi account or the Bank of Israel's Central Credit Register.
- Building a mix customized to the customer's needs, which allows meeting monthly repayments.
- Real estate collateral - credit is subject to providing collateral to the Bank's satisfaction, according to the nature of the credit and property. The collateral is examined by the mortgage consultants; in complex cases - additional a review is conducted.
- Payment deferment (grace) - partial grace is optional, in accordance with the provisions of the Banking Law - Service to Customers.

Second stage - collection:

- "Soft collection" - a call center which contacts customers experiencing repayment difficulties immediately when the first default event occurs; assistance is provided to customers, reaching debt settlement agreements and support until the debt is repaid.
- Legal claim -
  - Collection of debt through the Collection System Authority.
  - Disposal of the property through the collateral provided.

Development of total outstanding housing loans, net

	Outstanding loans portfolio	Rate of change
	In NIS million	in %
December 31, 2022	119,272	15.7
December 31, 2023	129,987	9.0
December 31, 2024	**143,979**	**10.8**

Development of LTV ratio for new loans over 60 percent, in Israel

As part of its monitoring of risk centers in the housing loans portfolio, the Bank also monitors characteristics of the portfolio and new credit, including the new credit's breakdown by loan-to-value ratios (loan-to-value ratio (LTV) is the ratio of total credit approved for the borrower - even if it has not yet been actually extended either in full or in part - out of the value of the mortgaged property during the approval of the credit facility) and the repayment ratio (the repayment ratio is defined as the ratio between the available monthly income and monthly repayment).

Following is the development in new credit granted by the Bank at an LTV ratio of over 60 %.

	2024				2023	2022
	Q4	Q3	Q2	Q1	Annual average	Annual average
LTV ratio	In %[(a)]					
Over 60 and up to 70, inclusive	24.1	24.2	22.2	20.1	21.1	22.6
Over 70 and up to 75, inclusive	20.2	21.2	21.4	18.6	21.9	25.3
Over 75	0.1	0.2	0.4	0.2	0.2	0.3

a) Out of total new credit granted by the Bank.

For additional information about this segment, please see the chapter titled "Credit Risks" in the Report of the Board of Directors and Management as of December 31, 2024.

Credit Risk for Loans to Private Individuals (Excluding Housing Loans)

Credit granted to private individuals whose repayment capacity is largely based on their household's earning capacity is characterized by a very significant diversification of borrowers and a variety of credit products (various types of loans, current accounts, credit cards) and - to a lesser extent (on average) - credit per individual customer.
Individual customers' activity is almost entirely concentrated in the Retail Banking Division.

The retail credit policy, formulated by the Risk Management Division in collaboration with the Retail Banking Division, constitutes a key element in outlining the risk appetite and ongoing management of this domain. The principles for extending credit are enshrined in the Bank's policies and procedures, including in the event of proactive contacting the customer, which emphasize, inter alia, the need for adapting the credit scope and type to the customer's repayment capacity, his needs and the purpose of the credit, as well as the need for ensuring the fairness and full disclosure towards the customer. The underwriting processes are based on models and executed fully digitally, or through individual processes according to the powers and provisions enshrined in the policies and procedures.

In addition to ensuring meticulous underwriting processes, management and monitoring on the level of the individual borrower, there is ongoing monitoring of the private credit at the aggregate level, inter alia based on internal indicators set, as there are also ongoing monitoring and maintenance of the various models that serve in the underwriting processes.

The potential effects of the War, in addition to the macroeconomic trends of the past two years (mainly the increase in interest rates and inflation) affect the repayment capacity of private borrowers; the severity of the effect depends, among other things, on developments related to the macroeconomic environment, the continuation of the war, and the extent of government support.

The Bank closely monitors, on an ongoing basis, the credit portfolio and the effects of these developments on the portfolio's risk profile.

For additional information and details regarding macroeconomic effects and the War, please see the section entitled "Macroeconomic Effects" and "Iron Swords" War at the beginning of this chapter.

For additional information about this segment, please see the chapter titled "Credit Risks" in the Report of the Board of Directors and Management as of December 31, 2024.

Branch concentration in the credit portfolio

The Bank conducts orderly monitoring processes to ensure it complies with the restrictions imposed by Proper Conduct of Banking Business Directive No. 315, "Branch Liability Limitation", in the Banking Supervision Department directives.

As of December 31, 2024, the Bank complies with these Directive's restrictions.

On October 29, 2024, an amendment to Proper Conduct of Banking Business Directive No. 315 had been published.

Due to the prolongation of the "Iron Swords" War, and in order to support the economy's credit needs, the Supervision of Banks Department extended by two additional years (up to December 31, 2027) an existing temporary relief in the prices of the construction and real estate segment under restriction, so that the total liabilities of the construction and real estate segment would not exceed the higher of the following: the total "construction and real estate, industry and trade of construction products" liabilities do not exceed 26% of the total public liabilities towards a banking institution; and the total "real estate, industry and trade of construction products" deducting liabilities for financing projects in collaboration with the private segment included in the "civil engineering works" do not exceed 22% of the public liabilities towards the banking institution.

In addition, the Supervision of Banks Department added a temporary relief regarding the rate of limitation of the financial services and insurance services segment, so that by December 31, 2027, the limitation will be examined separately in respect of the activities in Israel and abroad, according to which the total liabilities of each of them separately would not exceed 20% of the total public liabilities towards the Bank, as the aggregate constraint (Israel and abroad) would not exceed 25%.

The amendment to the directive took effect on the date of its publication, October 29, 2024.

Groups of borrowers[3]

The Bank conducts orderly monitoring processes to ensure it complies with the restrictions imposed by Proper Conduct of Banking Business Directive No. 313, "Limitations on the Indebtedness of a Borrower or a Group of Borrowers".

As of December 31, 2024, the Bank complies with these Directive's restrictions.

In accordance with the policy for the adoption of accepted international standards, the Banking Supervision Department is adopting the Basel Committee provisions regarding supervision of large-scale exposures. In this context, the Banking Supervision Department published a draft revision of Proper Conduct of Banking Business Directive No. 313, "Limitations on the Indebtedness of a Borrower and of a Group of Borrowers". In accordance with this draft, new definitions will be established for a borrower / borrower group, and also adjustments were made to measure the exposure. In accordance with the Banking Supervision Department's requirement, the Bank conducted a quantitative survey, which was reported to the Banking Supervision Department.

Pursuant to the draft of the directive, the date it will take effect will be January 1, 2026.

Credit Exposure to Foreign Financial Institutions

For information on Credit Exposure to foreign financial institutions see Chapter "Risk Review" in the Report of the Board of Directors and Management as of December 31, 2024.

[3] A group of borrowers are all of the following together: the borrower, a person controlling it and all those controlled by them. If a corporation is controlled by more than one person, it is necessary to include in the same group of borrowers the controlling parties for which the controlled corporation is material (such as from an equity standpoint), including the corporation or any other entity under their control. An investee which is material to a holder that is not a controlling shareholder, and any entity under their control. Borrowers that are associated with the investee in such a manner that harming the financial stability of any one of them could affect the financial stability of the other or that the same factors could affect the financial stability of both.

Part 5A - Counterparty credit risk

Qualitative disclosure related to Counterparty Credit Risk (CCRA)

The credit risk embodied in a derivative transaction is a measure of the loss the Bank may incur if the counterparty to the transaction fails to meet the terms of the transaction. Such risk, per a specific date, is defined as the total present value of the transaction as at that date plus the potential risk for a future loss. The potential is evaluated by the level of the underlying asset's expected volatility and the period remaining until the collateral settlement date as agreed with the counterparty, all after deducting enforceable netting agreements as follows:

Leumi implements credit risk mitigation mechanisms in the derivatives market (both traded and non-traded) by utilizing netting mechanisms embedded in standard international legal agreements. Additionally, Leumi employs a mutual collateralization mechanism between counterparts, either through transfer for exposure limitation or via pledge agreements. Within the defined timeframes, ongoing settlement is conducted based on market data and exposure. The collateral is mostly cash, in the currencies specified in the agreement. The following are the types of agreements currently in place at Leumi in this regard:

1. In over the counter (OTC) derivative activities, netting mechanisms are used on an international standard agreement framework or a local agreement framework aligned with international standards, as well as account arrangements for exposure mitigation, all in accordance with the provisions of the Financial Assets Agreements Law. For example, the Bank enters into ISDA and CSA agreements with international counterparties and local entities active in the capital market. Additionally, in order to mitigate counterparty risk, there is a trend towards central clearing for interest rate derivative transactions in major currencies. Under the ISDA agreements signed by Bank Leumi, there is currently no dependency on Leumi's credit rating downgrade as a factor for changing the credit collateral amount. Starting from September 2021, Leumi began implementing the UMR regulation of the IOSCO organization, which entails the posting of Initial Margin (IM) collateral by both parties with a third-party custodian for transactions that are not centrally cleared, for entities that have exceeded the quantitative threshold (50 billion euro).
2. in foreign exchange-traded derivatives activity - when dealing with existing clients, netting and settlement mechanisms are anchored within agreements that comply with the provisions of the Financial Assets Agreements Law. Netting and settlement mechanisms also exist in transactions with clearing house members and are anchored in a legal opinion.
3. In local activity with the MAOF (exchange-traded derivatives), there are no netting agreements. Netting is carried out in practice with clients according to management terms that align with ISDA standards. The activity is conducted either against pledge notes or on an uncollateralized (solo) basis.
4. In SFT transactions with foreign counterparts (REPO, REVERS REPO, and securities lending, netting mechanisms are used on standard international agreement frameworks (GMSLA for lending/borrowing securities and GMRA for REPO/REVERS REPO transactions).

Credit limits for client activities are determined in individual credit committees in accordance with the bank's credit policy and subject to the board of directors' limitations. The factors influencing the credit limit include, among other things, credit risk analysis and business profile, including the collateral provided to support the credit exposure derived from the activity.

Country, banks, and financial institution activity limits are determined by a dedicated committee with representative from the relevant divisions, subject to the constraints set forth in the group's investment and market risk management policy.

The monitoring and responsibility for credit exposures to counterparties in derivative transactions lie with the client managers within the business lines.

The Capital Markets Division closely monitors the activities of its clients and also oversees the supervision conducted by client managers regarding their clients' derivative activities.

The Division is responsible for the models for calculating the collateral requirement, the criteria used by these models, the IT systems which measure compliance with the boundaries of the activity and the work procedures.

The Risk Management Division serves as the second line of defense, advising the Board of Directors on risk management policy, overseeing the reporting of exposures to the Board, and being responsible for validating the models and parameters used for risk management.

On December 1, 2021, on March 15, 2022 and April 7, 2022, the Banking Supervision Department published a circular revising directive for updates on Basel Committee regulations regarding counterparty credit risk. For further details on the implementation of the Directive, please see chapter “Regulatory and other changes in measuring the capital requirements” in this report

Some of the above information constitutes “forward-looking information”. For the meaning of the term, please see the chapter “Forward-Looking Information”.

Analysis of Counterparty Credit Risk (CCR) by regulatory approach (CCR1)

		a	b	d	e	f
		December 31, 2024				
		Replacement cost	Potential future exposure	Alpha used for computing Regulatory EAD (Exposure at default)	EAD post CRM	RWA
		In NIS million				
1	SA-CCR (for derivatives).	10,587	26,384	1.4	51,751	17,663
3	comprehensive approach for credit risk mitigations (Securities financing transactions) (a)	-	-		675	135
6	Total	10,587	26,384		52,426	17,798

		a	b	d	e	f
		December 31, 2023				
		Replacement cost	Potential future exposure	Alpha used for computing Regulatory EAD (Exposure at default)	EAD post CRM	RWA
		In NIS million				
1	SA-CCR (for derivatives).	8,424	17,566	1.4	36,377	13,063
3	comprehensive approach for credit risk mitigations (Securities financing transactions)	-	-		650	130
6	Total	8,424	17,566		37,027	13,193

a) These data include open exposure from REPO and REPO REVERS transactions. Exposures from lending transactions against credit are presented in the credit exposures.

Capital Allocation for credit valuation adjustment (CVA) (CCR2) risk

		a	b	a	b
		December 31			
		2024		2023	
		EAD After CRM	RWA	EAD After CRM	RWA
		In NIS million			
3	The total portfolios for which CVA is calculated using the standard approach.	**51,731**	**3,275**	36,354	2,989

Standardized approach – Counterparty Credit Risk (CCR) exposures by regulatory portfolio and risk weights [(a)] (CCR3)

	a	d	e	f	G	I
	December 31, 2024					
Regulatory portfolio/risk weight	0%	20%	50%	100%	150%	Total credit exposure
	In NIS million					
Sovereigns	4,740	-	-	-	-	4,740
Public Sector Entities (PSE) that are not central government	-	-	85	-	-	85
Banks, including Multilateral Development Banks (MDB)	-	15,802	225	-	-	16,027
Securities firms	-	17,186	14,924	4	-	32,114
Corporates	-	-	48	3,139	1	3,188
Regulatory Retail Portfolios	-	-	-	280	-	280
Total	4,740	32,988	15,282	3,423	1	56,434

	a	d	e	f	G	I
	December 31, 2023					
Regulatory portfolio/risk weight	0%	20%	50%	100%	150%	Total credit exposure
	In NIS million					
Sovereigns	3,109	-	-	-	-	3,109
Public Sector Entities (PSE) that are not central government	-	-	67	-	-	67
Banks, including Multilateral Development Banks (MDB)	-	13,462	276	56	-	13,794
Securities firms	-	9,749	8,919	5	-	18,673
Corporates	-	-	119	3,552	-	3,671
Regulatory Retail Portfolios	-	-	-	116	1	117
Total	3,109	23,211	9,381	3,729	1	39,431

a) The balances in the tables refer to the credit exposure used in the capital requirement calculation, after applying credit risk mitigation methods. The exposures do not include exposures to central counterparties (CCPs), which are reported in the CCR8 table later in the report.

b) Composition of collateral for counterparty credit risk (CCR) exposure [a] (CCR5)

	a	b	c	d	e	f
	December 31, 2024					
	Collateral applied in derivative transactions				Collateral applied in securities financing transactions (SFTs)	
	Fair value of collateral received		Fair value of collateral deposited		Fair value of collateral received	Fair value of collateral deposited
	Detached	Not Detached	Detached	Not Detached		
	In NIS million					
Cash - domestic currency	-	5,667	-	534	1,089	1,300
Cash - other currencies	-	19,820	-	14,020	10,597	3,384
Domestic sovereign debt	-	26,690	3,044	-	1,365	1,143
Other sovereign debt	2,486	91	2,054	6,244	-	-
Government Agencies debt	-	-	-	-	6,567	9,025
Corporate bonds	2,708	-	3,270	-	999	1,767
Equity securities	-	179	-	-	7	5,259
Total	5,194	52,447	8,368	20,798	20,624	21,878

	a	b	c	d	e	f
	December 31, 2023					
	Collateral applied in derivative transactions				Collateral applied in financing transactions Securities (SFTs)	
	Fair value of collateral received		Fair value of collateral deposited		Fair value of collateral received	Fair value of collateral deposited
	Detached	Not Detached	Detached	Not Detached		
	In NIS million					
Cash - domestic currency	-	1,491	-	451	80	256
Cash - other currencies	-	16,715	-	11,422	13,696	2,797
Domestic sovereign debt	-	19,257	1,978	-	269	84
Other sovereign debt	3,052	69	1,464	5,403	-	410
Government Agencies debt	-	-	-	-	6,561	11,768
Corporate bonds	853	-	2,741	-	958	2,436
Equity securities	-	184	-	-	-	4,663
Total	3,905	37,716	6,183	17,276	21,564	22,414

a) The amounts related to collateral posted or received for exposures arising from counterparty credit risk associated with derivative transactions or securities financing transactions, including transactions cleared through a central counter party (CCP)

b) Credit derivatives exposures (CCR6)

As of December 31, 2024 and December 31, 2023, there are no credit derivative transactions bought or sold by the bank.

Exposures to central counterparties (CCR8)

		a	b	a	b
		December 31			
		2024		2023	
		EAD post CRM	RWA	EAD post CRM	RWA
		In NIS million			
1	**Exposures to a qualified central counterparty (QCCP) (total)[c]**	**5,928**	**190**	5,633	196
2	Exposures to QCCP transactions (excluding segregated initial margin and transfers to a risk fund, of which):	**5,852**	**185**	5,557	191
3	(I) OTC[b] derivatives	**940**	**19**	419	8
4	Exchange-traded derivative [b]	**4,912**	**166**	5,138	183
7	Segregated initial margin	**1,568**	**-**	1,050	-
9	Funded transfers for a risk fund	**76**	**5[a]**	76	5[a]

a) The risk-weighted assets related to the risk fund have been included in the exposure line for QCCP transactions above, and this is in accordance with the formula for calculating risk-weighted assets for central counterparties as specified in Proper Conduct of Banking Business Directive NO. 203

b) Including trading exposures to clearinghouse members that meet the conditions for risk weights of 2%-4%, in accordance with Directive 203.

c) EAD amounts after CRM don't include segregated initial margin amounts, which appear in row 7 below, in accordance with Directive 203 and 203A.

Part 6 - Market risk

Market risk (MRA)

Market risk is defined as the risk of loss arising from a change in the value of assets and liabilities due to changes in market prices, interest rates, exchange rates, inflation rate and stock prices. Market risk exposure is reflected in the financial performance, in the fair value of the assets and liabilities, in shareholders' equity and in cash flows.

The Bank complies with the Banking Supervision Department’s directives regarding management of the Group's market risks, including Proper Conduct of Banking Business Directives No. 333, “Interest Rate Risk Management”, and No. 339, “Market Risk Management”. To implement these directives, the Bank established basic principles and control mechanisms for these risks, including defining the purviews of management and the Board of Directors, the means of control and tools for measuring risk and the means of control as well as oversight of these risks, while implementing corporate governance which includes three lines of defense. For a description of the organizational structure and responsibility for the risk management, please see the Additional Information regarding the Exposure to Risk and its Assessment.

In 2024, there were no significant changes in the corporate governance structure, policies and market risk management.

At present, it appears that the leading trend among the central banks in the US and Europe is to decrease the interest rate in the coming years, taking into consideration developments in key economic parameters, such as: unemployment rates, growth and a move towards the inflation goals. In Israel, interest rate cuts are expected in the coming year, but at a more moderate pace compared to the trend set by central banks in the US and Europe. The is contingent on meeting the Bank of Israel’s inflation target and occurs against the backdrop of expected increases in government spending and the associated debt issuance.

The “Iron Swords” War

In the aspect of market risks the war and the related challenges establish uncertainty in the financial markets and the fluctuations in them may continue, albeit to a lesser degree.

The Bank tracks and closely monitors developments, applying stringent risk management practices, applying extreme scenarios, and continuously examining the development of events and modes of operation in order to prepare in advance and adapt its activity as needed.

Interest Rate Risk

On December 20, 2023, the final Proper Conduct of Banking Business Directive 333 was published on the subject of Interest Rate Risk in the Banking Portfolio. The directive is expected to enter into effect in July 2025. The Bank is preparing to implement the directive.

Corporate governance structure for market risk management

In addition to information about the corporate governance structure of risk management in the Bank, which is described in the section entitled “Additional Information about Risk Exposure and Assessment Thereof”, more information regarding operational risk management follows:

First line of defense - Capital Markets Division

The Capital Markets Division is responsible for assuming the risk while analyzing and understanding it throughout the transaction’s life. The Division manages the Bank's Nostro portfolio, operating the bank’s reading room for trading and brokerage in currencies, interest rates, derivatives, and securities, as well as in financial management including the development of financial and investment products and the management of the group’s assets and liabilities. In addition to the control processes built into the trading rooms, ongoing monitoring of market risks, operational risks and embezzlement and fraud risks is conducted by the Planning Room of the Division’s risk management department. The Capital Markets Division - which serves as the first line of defense - is aided by Leumi’s investment arm – Leumi Partners.

The various market risks are jointly managed by the Capital Markets Division, among other means, through dedicated committees led by the Head of the Capital Markets Division and with the participation of representatives from the Risk Management Division.

Second line of defense - Risk Management Division

The Division is responsible for examining the market and liquidity risks management from a comprehensive perspective, through involvement in assessing the risks embodied in new products and activities as well as formulating the risk policy and risk boundaries from an overall perspective of the Bank's own account and trading rooms, the Bank's nonbanking investments and its pension portfolio. It is also responsible for developing and challenging risk assessments of material transactions and activities, such as approval of products, investments, and new transactions; developing methodologies; validating material models; monitoring market variables and specific investments; and conducting stress scenarios, etc.

Third line of defense - Internal Audit

The Internal Audit Division is responsible for conducting an independent, objective audit and for challenging controls, processes and automated systems in the banking corporation. The audit is usually performed retrospectively on the first and second lines, ensuring implementation of the guidance of management and the Board of Directors.

The Group's risk appetite

The Group's Risk Appetite is reflected in the level of market risk exposure the group is willing to bear in order to achieve its business objectives and the required return for shareholders. Alternatively, risk appetite is defined as the impact of an adverse event that the group is willing to bear. Risk appetite includes qualitative statements regarding the level of risk accepted by the board of directors and senior management, as well as quantitative limits on the losses the group is willing to absurd under scenarios of varying severity.

Market Risk Management Policy

The market risk management policy is an expression of the Group's market risk management strategy. This in addition to existing procedures for identifying, measuring, monitoring, developing and controlling market risk. The policy is designed, on the one hand, to support the achievement of business objectives while assessing the risks and rewards that may arise from exposure to the risks compared with the expected gains therefrom and, on the other hand, to mitigate the risk level arising from the Bank's ongoing activities, including by maintaining a high level of liquidity.

The policy constitutes an important tool for defining the Bank's risk appetite for its own (Nostro) account, trading rooms and market exposure across the entire Leumi Group. The policy outlines the corporate governance, division of organizational responsibilities and escalation mechanisms. The risk appetite is reflected in the established restrictions.

As part of the market risk management policy, the Board of Directors prescribed restrictions for each material market risk. In addition, restrictions were placed at the Chief Risk Officer level as well as additional restrictions complementing them. The purpose of the restrictions is to limit the damage that can be caused as a result of unexpected changes in various market risk factors, such as interest rates, inflation, exchange rates, marketable credit spreads and stock prices.

The exposures to market risks are routinely managed at the Group level.

In order to oversee and monitor the implementation of the market risk management policy, the Board of Directors receives, once every quarter, a report on the main market risk exposures vs. the restrictions placed and main risks by business line, product and risk center of the Group, as well as reports on unusual events.

Market risk management is performed in two risk centers – the banking portfolio and the held-for-trading portfolio.

The banking portfolio

The market risks embodied in the banking portfolio arise from the Bank's core activities (primarily credit, deposits and securities investments in the available-for-sale portfolio held to maturity). The portfolio's main market risks are interest rate risk, credit spread risk in the trading book and underlying risk exposures. The main tools for managing the exposures in the banking portfolio are: the price policy; the management of the Bank's own available-for-sale portfolio; the issue of debt instruments; and hedging by way of derivatives. The hedging policy enables to narrow down and/or expand risk, as needed, by changing the Bank's position in accordance with the risk appetite defined by the Board of Directors.

As part of its exposure management tools, the bank hedges it foreign exchange risk and interest rate risk using derivative financial instruments, which help maintain the desired position within the risk appetite framework, as determined by established limits. Additionally, the bank engages in derivative transactions that are not intended for hedging purposes.

The Bank's policy for transactions involving derivative financial instruments with entities subject to capital adequacy requirements includes a mutual mechanism between counterparties to the transaction (CSA agreements). For further details, see Section 5A on counterparties credit risk.

As part of examining its overall risk profile, the Bank regularly performs follow ups and monitors the exposures to market risks and losses that may occur under different scenarios, including stress scenarios, in order to reflect the overall market risks from a holistic perspective – risks of interest, basis, credit margins, shares and funds.

The investment policy

Leumi's Nostro account activity constitutes a principal tool for managing the assets and liabilities, balance-sheet indexations, routing exposed capital and generating profits. It is managed using an overall perspective, including reference to all risks and opportunities, including the own account portfolios, the non-banking holdings and assets and the liabilities in the pension portfolio. The investment policy is also subject to risk appetite restrictions set by the Board of Directors. The principal risks embodied in the investment activity are interest rate, credit, liquidity and basis risks.

To maintain stability and a high level of liquidity, assets are managed by assuming a low to moderate risk for most investments and activities and assuming a higher risk for a smaller part of the investments and activities. Under the policy, a high level of diversification is maintained across products, countries, and types of risk and exposures to counterparties.

In its own portfolios, Leumi is exposed to credit and market risks in respect of countries, banks and financial institutions in Israel and abroad. Additionally, the Bank invests in asset-backed securities (such as ABSs MBS, CLO, ABS and others) as well as in funds and highly diversified equities.

Leumi has defined alert mechanisms for exceptional developments in the exposure status and/or markets, including:

- Setting reporting thresholds regarding deviations from quantitative restrictions, reporting methods and providing alternatives to handle deviations.
- Follow up mechanisms (watch lists) and red flags, which monitor market developments, compliance with restrictions, changes in assets, etc.

Leumi has drafted detailed contingency plans that include action plans in case predefined triggers are activated.

Held-for-trading portfolio

The market risks embodied in the trading portfolio arise from the Bank's activity as a market maker, broker and positions manager for its own Nostro account. In accordance with the bank's policy, instruments are classified under the trading portfolio when trading activities are conducted with the aim of generating profits from trading while responding quickly to market changes.

Leumi trades in a very broad range of derivatives with various underlying assets: currencies, interest rates, index, commodities and securities. The main activity is carried out in widely used and highly liquid instruments in both the local and global markets.
In the framework of Bank's own trading portfolio, proactive actions are taken such as proactive exposures to interest, foreign currencies and tradable credit risks.
Almost daily, market risks in the trading portfolio are identified, monitored, and controlled against the restrictions - by the Capital Markets Division's control unit.

The classification of securities into the trading portfolio is carried out for positions intended for trading purposes. Trading activity is subject to restrictions, such as portfolio size limits, interest rate exposure limits, foreign exchange exposure limits, and others. This classification is embedded in the policy and operational processes, in accordance with regulatory requirements.

Exposure to market risks arising from the employee pension liabilities

The Bank applies US GAAP to employee benefits, as prescribed by the Bank of Israel. The long average duration actuarial obligation to employees is significantly impacted by changes in the discount rate. The discount rate used for calculating the actuarial liabilities for employee benefits is based - according to the directives of the Bank of Israel - on the Government of Israel's bond yield curve plus the fixed spread curve of globally rated AA corporate bonds which match the average durations of the liabilities for employee benefits.

Manner of measuring the pension liabilities for regulatory capital purposes

In the beginning of September 2022, the Bank received approval from the Bank of Israel to modify the measurement method of its pension liabilities for the purpose of regulatory capital calculation. According to the new measurement method, each quarter, the Bank will calculate the change in the pension liabilities resulting from changes in the discount rate, net of the change in the value of assets pre-designated to hedge these liabilities. (herewith “a change in net pension liabilities”). The change in the net pension liabilities, after tax, will be spread in a linear fashion, over four quarters, as of the quarter for which the calculation had been made.

The new method will be implemented starting on July 1, 2022 and will be in effect until the earlier of the two: a) The financial statements as at December 31, 2029 (inclusive) or b) The reporting date on which the average pension liabilities across the last four quarters will be lower than NIS 10 billion, linked to the CPI (from the known CPI as of July 1, 2022 to the known CPI on the relevant reporting date).

The approval significantly moderated the volatility of the regulatory capital resulting from changes in the discount rate of the pension liability.

At the same time, the Banking Supervision Department revoked its approval to measure the pension liabilities for regulatory capital purposes according to a moving average of market yields for a period of eight quarters ended on the relevant reporting date, which was in effect as of the financial statements as at June 30, 2016.

Risk-measuring methodologies and tools

Market risks are estimated using a variety of tools, which complement each other and are in line with the Bank’s various exposures. The measures used by the Bank for its overall management of market risks are also used for evaluating the potential financial damage from overall market and tradable credit exposures or from a specific portfolio having such exposures, under assumptions which take into account the interrelations between the various risk factors embodied in each portfolio and collectively - in all of them.

The Bank’s market risk assessment methodology was approved by the Board of Directors and management.

VaR - Value at Risk model is a statistical model that estimates the expected loss for the Bank, based on a historical simulation, in the course of a certain investment horizon and on a predetermined statistical level of assurance. The VaR may rise as the result of an increase in the volatility of the risk factors, or as the result of an increase in the inherent risk level of the banking activity. However, VaR is limited in its capability to forecast extreme scenarios, and is therefore used as a risk measure mainly in ongoing management, but may also generate a warning sign in extreme market scenarios.

The assessment of risk using VaR is adjusted to the nature of a portfolio’s activity and composition - for the trading portfolio, it is calculated with a holding horizon of ten business days, and in the banking portfolio - with a holding horizon of one month, both at a significance level of 99%. In addition, a back test process is performed regularly, in order to examine the model’s validity.

Since the VaR may increase as the result of market volatility, and not necessarily as the result of a change in the risk profile, the Bank has set attention limits, at the Board level, on the VaRs of the banking and trading portfolios. These limits are designed to serve as a warning sign for the risk level which, if reached, requires a reassessment of the risk profile and decisions regarding risk mitigation or temporarily readjusting the limit.

Following is the trading portfolio VaR at the Group level, according to the historical simulation:

	Trading portfolio VaR	
	December 31	
	2024	2023
	In NIS million	
Actual	**51**	45

Sensitivity analyses and stress scenarios - The global and local markets are subject to periodic turmoil, reflected in an exceptionally high parameter volatility, deviating from normal historic behavior. Quantitative models such as VaR do not provide information on losses that may occur in extreme market conditions or beyond the set level of significance. As a result, to detect a change in any of the risk factors, risk is assessed using a variety of extreme market scenarios as well as sensitivity analyses. These include all of the risk factors to which the Bank is exposed and constitute part of the decision-making process for determining the overall investment strategy and preferred composition of the portfolio under the predetermined risk appetite restrictions. In calculating stress scenarios, expert assumptions are validated, as far as possible, against historic data as well as current market data.

The scope and nature of risk management systems

Key systems for market risk management:

One system is the system that integrates daily with all the bank's infrastructure systems and captures the bank's transaction inventory. The system distributes the cash flows for all transactions, both according to the specified payment date and the interest rate change date. Based on the calculated data, exposures to market and liquidity risks are determined, subject to the model assumptions used in risk management.

Additional systems are used for the ongoing management and operation of the Nostro portfolio and trading room positions, including pricing, trading, and exposure management.

Foreign exchange rate risk

In 2024, the effect of the change in foreign currency rates on the net income was non material since the Bank does not have substantial Forex exposures.

Market risk under the standardized approach (MR1)

The following table outlines the regulatory capital requirements in respect of exposure to market risks under the standardized approach, which covers only some of market risk exposures.

		a	a
		December 31	
		2024	2023
		Risk-weighted assets RWA	
		In NIS million	
	Direct products		
1	Interest rate risk (general and specific)	**6,466**	5,280
2	Equity position risk (general and specific)	**2**	82
3	Foreign exchange rate risk	**724**	316
	Options		
7	The scenarios approach	**113**	28
8	**Securitization**	**27**	128
9	Total	**7,332**	5,834

Part 6A - interest rate risk in the banking portfolio and (IRRBB) trading portfolio

Targets and goals in managing interest rate risk in the banking portfolio

Interest rate risk is the risk of gains or capital arising from interest rate fluctuations and stems from several sources, as follows: repricing risk (timing differences in terms to maturity and repricing dates of assets, off-balance-sheet liabilities and positions); yield curve risk (unexpected fluctuations in the yield curve); basis risk (less than perfect correlation between interest rate changes in various financial markets or in various instruments with similar repricing characteristics); and optionality risk (change in the timing or scope of cash flows from a financial instrument due to changes in market interest rates).

The Bank manages the interest rate risk and its effect on profitability, equity, assets and liabilities, under various assumptions of interest rate changes, including severe interest rate stress scenarios based on historic scenarios and hypothetical simulations. The Bank also uses a model which estimates the change in the expected finance income as a result of changes in the interest rate and future interest rate spread as well as the sensitivity of regulatory capital, which includes the effects on capital and capital reserve of a sudden change in the interest rate. These indicators are restricted by various hierarchical levels. In effect, the interest rate risk is measured and managed on the basis of various behavioral assumptions regarding repayment dates of the assets and liabilities. According to past experience, the Bank treats some of the current account balances as a long-term liability. In addition, assumptions about early repayments of mortgages are based on a statistical model that attempts to forecast early repayment based on interest rates. Such estimates are of great significance in managing interest rate risks, inter alia, due to the marked increase in these balances in recent years.

The tools for managing the exposures in the banking portfolio are: the price policy; the management of the Bank's own bonds portfolio; the issue of debt instruments; off-balance sheet transactions, and more. As part of the assets and liabilities management array, the Bank economically hedges some interest rate risks, through derivatives. In cases where the Bank chooses to follow a perfect hedge outline in accordance with the accounting principles, the changes in the value of the derivatives is classified to a capital reserve, similarly to the hedged asset. In cases where it is impossible to execute a perfect hedge, or the Bank opts not to execute a perfect hedge, the changes in fair value of the derivatives are recognized in profit and loss on inception. In addition, the exposures management relies, inter alia, on forecasts and work assumptions regarding the expected developments in the money and capital markets in Israel and abroad.

The exposure to interest rate changes is measured for both increases and decreases in interest rates in each linkage segment. The measurement is designed to test the sensitivity of the current value structure of assets and liabilities, including pension liabilities, to an interest rate change.

As a rule, interest rate sensitivity is measured at least once a month.

Key behavioral models integrated into risk management.

The models integrated into interest rate risk management incorporate behavioral assumptions regarding customer's repayment timing for assets and liabilities. The key models among them include:

- This refers to a long-term liability that extends over time and based, among other factors, on a historical analysis of current account balances and customer behavior. The model assumes the existence of a stable core balance of current accounts (the stable portion of demand deposits) that is not sensitive to interest rate changes. Additionally, the Bank assumes that there is an additional portion of current balances that will be shifted to deposits when interest rates rise. Therefore, the portion is allocated over a significantly shorter period compared to the stable core demand deposits.
- A prepayment prediction model for mortgages, which examines, among other factors, the economic feasibility of early repayment based on interest rates, customer preferences, and behavioral assumptions derived from historical data.
- In order to predict the early repayments of mortgage products in the nostro portfolio use is made of an external system that examines, *inter alia*, the current duration of the mortgage portfolio, and the impacts of changes of interest on the portfolio duration and the value of the assets.

The models that are developed independently undergo ongoing validation and calibration, *inter alia*, in light of changes in the macro environment, and supplier models are scrutinized according to accepted methodologies.

The following are the main restrictions on exposure to market risks as at December 31 2024

	In NIS million/ a percentage of the common equity Tier 1
Sensitivity of the fair value to simultaneous changes of 1% in interest	
The banking portfolio in NIS	5%
The banking portfolio in foreign currency	2%
The trading portfolio in NIS	0.7%
The trading portfolio in foreign currency	0.4%
VaR red flags	
Banking portfolio	6.0%
Held-for-trading portfolio	250

Quantitative information on interest rate risk in the banking portfolio and the trading portfolio

Net adjusted fair value of financial instruments of the Bank and its consolidated companies

	December 31, 2024				
	NIS		Foreign currency		
	Non-linked	CPI-linked	USD	Other	Total
	In NIS million				
Financial assets(B)	523,781	70,630	98,704	15,930	709,045
Other amounts receivable in respect of derivative, compound and off-balance-sheet financial instruments	571,468	6,506	502,405	66,644	1,147,023
Financial liabilities(B)	468,593	32,102	153,981	21,066	675,742
Other amounts payable in respect of derivative, compound and off-balance-sheet financial instruments	602,656	10,625	453,428	62,286	1,128,995
Net fair value of financial instruments	24,000	34,409	(6,300)	(778)	51,331
Impact of liabilities for employee benefits	-	(12,336)	-	(11)	(12,347)
The effect of deployment over deposit periods upon demand	8,758	-	2,052	207	11,017
Net adjusted fair value(a) of financial instruments of the Bank and its consolidated companies	32,758	22,073	(4,248)	(582)	50,001
Of which: Banking portfolio	30,519	20,901	(4,161)	(641)	46,618
Of which: effect of early repayments on housing loans	175	(592)	(1)	(9)	(427)
Of which: The effect of other behavioral assumptions	8,758	-	2,052	207	11,017

	December 31, 2023				
	NIS		Foreign currency		
	Non-linked	CPI-linked	USD	Other	Total
	In NIS million				
Financial assets(B)	490,754	63,600	92,263	17,605	664,222
Other amounts receivable in respect of derivative, compound and off-balance-sheet financial instruments	422,951	6,119	390,566	61,503	881,139
Financial liabilities(B)	430,237	29,664	144,872	23,663	628,436
Other amounts payable in respect of derivative, compound and off-balance-sheet financial instruments	456,196	11,105	344,146	56,387	867,834
Net fair value of financial instruments	27,272	28,950	(6,189)	(942)	49,091
Impact of liabilities for employee benefits	-	(13,460)	-	(10)	(13,470)
The effect of deployment over deposit periods upon demand	7,976	-	1,869	243	10,088
Net adjusted fair value(a) of financial instruments of the Bank and its consolidated companies	35,248	15,490	(4,320)	(709)	45,709
Of which: Banking portfolio	22,257	15,099	(4,620)	(675)	32,061
Of which: effect of early repayments on housing loans	403	(433)	(4)	(9)	(43)
Of which: The effect of other behavioral assumptions	7,976	-	1,869	243	10,088

a) Net fair value of the financial instruments, excluding non-monetary items, including liability for employee benefits, offset against all underlying plan assets and deployment managed *vis-a-vis* it and deployment over deposit periods upon demand and deposits with the Bank of Israel, which are derived from such deployment.
In 2024 the Bank had updated the assessment of the adjusted fair value of the financial assets, the impact as at December 31, 2023, had the aforementioned assessment been implemented, is a reduction of the adjusted fair value of the financial assets, in the sum of approximately NIS 0.5 billion from a balance of approximately NIS 664.2 billion and an increase in the impact of the early repayment model on housing loans, in the sum of approximately NIS 0.2 billion.
For further information regarding the assumptions used to calculate the fair value of the financial instruments, please see Note 32A in the financial statements as at December 31, 2024.

b) Excluding balance sheet of derivative financial instruments, the fair value of off-balance-sheet financial instruments and the fair value of compound financial instruments.

The impact of scenarios of interest rate changes on the net adjusted fair value[A] of the Bank and its consolidated companies

	December 31, 2024				
	NIS		Foreign currency		
	Non-linked	CPI-linked	USD	Other	Total[D]
	In NIS million				
Simultaneous changes					
Simultaneous increase of 1 percent	(2,144)	(21)	(891)	(132)	(3,188)
Of which: Banking portfolio	(2,104)	(2)	(863)	(129)	(3,098)
Of which: The impact of behavioral assumptions	1,923	581	444	87	3,035
Of which: Effect of attribution to periods of demand deposits	1,754	-	393	84	2,231
Of which: effect of early repayments on housing loans	170	581	-	4	755
Simultaneous decrease of 1 percent	1,893	(474)	890	138	2,447
Of which: Banking portfolio	1,852	(493)	883	135	2,377
Of which: The impact of behavioral assumptions	(2,634)	(1,041)	(568)	(93)	(4,336)
Of which: Effect of attribution to periods of demand deposits	(1,885)	-	(421)	(89)	(2,395)
Of which: effect of early repayments on housing loans	(748)	(1,041)	-	(4)	(1,793)
Non-simultaneous changes					
Steepening[B]	(1,333)	352	(755)	(64)	(1,800)
Of which: Banking portfolio	(1,235)	344	(758)	(66)	(1,715)
Flattening[C]	979	(405)	284	41	899
Of which: Banking portfolio	892	(392)	296	43	839
Short-term interest rate increase	154	(333)	(297)	(19)	(495)
Of which: Banking portfolio	88	(314)	(276)	(15)	(517)
Short-term interest rate decrease	(147)	340	322	26	541
Of which: Banking portfolio	(79)	320	300	23	564
Maximum	(2,144)	(474)	(891)	(132)	(3,188)
Of which: Banking portfolio	(2,104)	(493)	(863)	(129)	(3,098)

a) Net fair value of the financial instruments, excluding non-monetary items, including liability for employee benefits, offset against all plan assets managed *vis-a-vis* it and deployment of deposit periods upon demand.
b) Steepening - a short-term decrease in the interest rate and long-term increase in the interest rate.
c) Flattening - increase in interest rate in the short-term and decrease in the long-term.
d) After netting effects.

The impact of scenarios of interest rate changes on the net adjusted fair value[A] of the Bank and its consolidated companies (cont.)

	December 31, 2023				
	NIS		Foreign currency		
	Non-linked	CPI-linked	USD	Other	Total[D]
	In NIS million				
Simultaneous changes					
Simultaneous increase of 1 percent	(1,543)	79	(577)	(15)	(2,056)
Of which: Banking portfolio	(1,521)	124	(557)	(17)	(1,971)
Of which: The impact of behavioral assumptions	1,841	494	345	91	2,771
Of which: Effect of attribution to periods of demand deposits	1,799	-	405	88	2,292
Of which: effect of early repayments on housing loans	43	494	2	3	542
Simultaneous decrease of 1 percent	1,276	(592)	571	12	1,267
Of which: Banking portfolio	1,265	(639)	555	15	1,196
Of which: The impact of behavioral assumptions	(2,501)	(937)	(447)	(96)	(3,981)
Of which: Effect of attribution to periods of demand deposits	(1,933)	-	(435)	(94)	(2,462)
Of which: effect of early repayments on housing loans	(567)	(937)	(2)	(3)	(1,509)
Non-simultaneous changes	-	-	-	-	-
Steepening[B]	(931)	472	(425)	(72)	(956)
Of which: Banking portfolio	(894)	474	(447)	(72)	(939)
Flattening[C]	716	(511)	111	76	392
Of which: Banking portfolio	683	(503)	139	75	394
Short-term interest rate increase	190	(364)	(293)	63	(404)
Of which: Banking portfolio	166	(338)	(261)	61	(372)
Short-term interest rate decrease	(181)	373	316	(55)	453
Of which: Banking portfolio	(156)	347	283	(53)	421
Maximum	(1,543)	(592)	(577)	(72)	(2,056)
Of which: Banking portfolio	(1,521)	(639)	(557)	(72)	(1,971)

a) Net fair value of the financial instruments, excluding non-monetary items, including liability for employee benefits, offset against all plan assets managed *vis-a-vis* it and deployment of deposit periods upon demand.
b) Steepening - a short-term decrease in the interest rate and long-term increase in the interest rate.
c) Flattening - increase in interest rate in the short-term and decrease in the long-term.
d) After netting effects.
e) The main models are the assumption of early repayment of mortgages, and in current accounts - identification of the hard core and treating it as a long-term deposit. The lack of symmetry between the increase and the decrease in interest rates is mainly due to the adaptation of customer activity to the mortgage scenario and effect of the convexity of interest rate curves.

Foreign currency exposure in the banking portfolio - since the beginning of the year, there has been an increase of approx. NIS 709 million in exposure for every 1% increase in foreign exchange rates. The main growth is driven by the increase in the mortgage portfolio, which was partially offset by bond issuances and deposit raising, as well as activity in the Nostro portfolio.

Foreign currency exposure in the banking portfolio - since the beginning of the year, there has been an increase of approx. NIS 418 million in exposure for every 1% increase in foreign exchange rates, due to Nostro portfolio activities.

In the year 2024 no update was made to the behavioral models. In 2023, an update of the early repayment model for housing loans increased the exposure to an increase in 1 percent, totaling approx. NIS 170 million; this increase was offset by the update to the demand deposit distribution model, totaling approx. NIS 200 million. Details of the influence of material behavioral models appear in the table above. Additionally, we note that if the bank had assumed full utilization of the first exit point for public deposits that include and exit option, the net fair value exposure in the case of a respective 1% increase, as of December 31, 2024, would have increased by approx. NIS 200 million compared to the exposure reported in the table above.

Impact of scenarios of interest rate changes on net interest income and on noninterest finance income[A]

	For the year ended December 31					
	2024			2023		
	Interest income	Noninterest Finance Income	Total	Interest income	Noninterest Finance Income	Total
	In NIS million					
Simultaneous changes						
Simultaneous increase of 1 percent	**516**	**36**	**552**	441	276	717
Of which: Banking portfolio	**516**	**123**	**639**	441	359	800
Simultaneous decrease of 1 percent	**(704)**	**(55)**	**(759)**	(625)	(289)	(914)
Of which: Banking portfolio	**(704)**	**(123)**	**(827)**	(625)	(359)	(984)
Maximum	**(704)**	**(55)**	**(759)**	(625)	(289)	(914)
Of which: Banking portfolio	**(704)**	**(123)**	**(827)**	(625)	(359)	(984)

a) After netting effects.

The sensitivity of the income in the above table is a theoretical estimate calculated based on a parallel change in all the interest rate curves using assumptions regarding changes in the spreads on deposits, with no change in the asset and liability mix, with the exception of update of the rescheduling of the behavioral models resulting from a change in interest rates, if made.

During the year 2024, the total revenue exposure to a 1% interest rate decrease was reduced by approx. NIS 155 million. Most of the reduction resulted from a decrease in exposure in non-interest income due to derivative activities.

Effect of scenarios of interest rate changes on equity[a]

	December 31	
	2024	2023
	In NIS million	
Simultaneous increase of 1 percent	**(1,041)**	(395)
Simultaneous decrease of 1 percent	**875**	182

a) The effect presented is before the tax effect.

During the year 2024, an increase of approx. NIS 646 million in equity exposure to a 1% rise in interest rates, mostly by activity in the available for sale portfolio.

Additional information on interest rate risk

Overall exposure of the Bank and its consolidated companies to changes in interest rates

	December 31, 2024				
	Demand of up to one month	Over one month Up to three months	More than three months to one year	More than one year to three years	Over three years and up to five years
	In NIS million				
Financial assets[A]	454,715	34,878	49,438	73,751	40,770
Other amounts receivable[B]	356,666	292,222	286,385	101,060	54,793
Financial liabilities[a]	386,224	59,770	124,842	44,033	24,834
Other amounts payable[B]	348,950	300,763	273,770	98,058	52,599
Exposure to interest rate changes	76,207	(33,433)	(62,789)	32,720	18,130
Further details of the exposure to interest rate changes					
A. According to the essence of the activity[E]					
Exposure in the banking portfolio	72,473	(25,726)	(64,209)	29,347	16,684
Exposure in the trading portfolio	3,734	(7,707)	1,420	3,373	1,446
According to linkage bases[E]					
Non-linked NIS	66,334	(10,392)	(60,289)	16,235	7,245
CPI-linked NIS	1,331	(834)	7,993	10,253	4,615
Foreign currency (including linked to foreign currency)	8,542	(22,207)	(10,493)	6,232	6,270
C. The impact of exposure to interest rate changes[D]					
Impact of liabilities for employee benefits	8	16	(760)	(1,316)	(131)
The effect of deployment over deposit periods upon demand	87,362	(7,048)	(22,996)	(15,871)	(12,219)
The impact of early repayments on housing loans	546	930	3,179	2,789	(463)
The impact of backed assets	83	119	646	1,233	744

a) Excluding balance sheet of derivative financial instruments, the fair value of off-balance-sheet compound financial instruments and after the impact of deployment over deposit periods upon demand.

b) Amounts receivable and payable in respect of derivative financial instruments, compound and off-balance-sheet, after the impact of the liabilities for employee benefits, which takes into account the plan assets sensitive to changes in interest rates managed *vis-a-vis* it. The compound financial instruments had been sorted according to the average effective life of each instrument, since it is not possible to reflect the exposure to their interest rates according to periods of cash flow repayment or the next date of renewal of the interest rate.

c) Weighted average by fair value of the average duration.

d) The impact on the duration and internal rate of return refer to the impact of each of the models on the balance amount in the section.

e) The reported duration is the difference between the duration of all assets and the duration of the total liabilities.

							December 31, 2023		
Over five years and up to ten years	Over ten years and up to twenty years	Over twenty years	Without repayment period	Total fair value	Internal rate of return	Average effective life(C)	Total fair value	Internal rate of return	Average effective life(C)
					In %	In years		In %	In years
36,617	14,919	3,775	182	709,045	4.67%	1.29	664,222	4.61%	1.18
50,210	4,733	954	-	1,147,023	-	1.32	881,139	-	1.38
20,613	4,366	23	20	664,725	4.56%	0.70	618,349	2.21%	0.74
55,757	7,656	3,789	-	1,141,342	-	1.46	881,303	-	1.51
10,457	7,630	917	162	50,001	-	-	45,709	-	-
9,977	6,990	920	162	46,618	-	0.10	32,061	-	0.06
480	640	(3)	-	3,383	-	0.02	13,648	-	0.05
4,161	8,077	1,212	175	32,758	-	0.20	35,248	-	0.00
2,159	(2,351)	(1,095)	3	22,074	-	0.11	15,490	-	(2.09)
4,137	1,904	800	(16)	(4,831)	-	0.11	(5,029)	-	0.10
(2,594)	(4,696)	(2,874)	-	(12,347)	2.72%	14.02	(13,469)	2.80%	14.09
(16,538)	(1,673)	-	-	11,017	4.26%	0.96	10,088	3.84%	1.00
(822)	(4,688)	(1,897)	-	(426)	(0.03%)	(0.81)	(43)	(0.19%)	(0.80)
320	(1,670)	(1,475)	-	-	(0.02%)	(5.07)	-	0.01%	(5.18)

Additional disclosure of compound financial instruments

Fair value, average effective life and the impact of potential changes in the interest rates on the fair value of the Bank's and its consolidated companies' compound financial instruments

	December 31, 2024					
		Average effective	Fair value assuming changes in interest rates			
			An increase of:		A decrease of:	
	Fair value	life	2%	1%	2%	1%
	In NIS million	In years	In NIS million			
Foreign exchange segment						
Compound financial assets:						
Backed assets	17,261	4.44	16,018	16,677	18,250	17,816
Total compound financial assets	17,261	4.44	16,018	16,677	18,250	17,816
Total changes in the fair value of compound financial instruments, net, resulting from changes in interest rates			(1,243)	(584)	989	555

	December 31, 2023					
		Average effective	Fair value assuming changes in interest rates			
			An increase of:		A decrease of:	
	Fair value	life	2%	1%	2%	1%
	In NIS million	In years	In NIS million			
Foreign exchange segment						
Compound financial assets:						
Backed assets	15,189	4.32	14,207	14,728	15,990	15,631
Total compound financial assets	15,189	4.32	14,207	14,728	15,990	15,631
Total changes in the fair value of compound financial instruments, net, resulting from changes in interest rates			(982)	(461)	801	442

For further information regarding the assumptions used to calculate the fair value of the financial instruments, please see Note 32A in the financial statements as at December 31, 2024.

Compound financial instruments include mainly the following instruments:

Agency MBS - bonds the base assets of which are mortgage loans, fully guaranteed or implicitly guaranteed by the United States Government.

CLO - bonds the base assets of which include loans extended to companies below investment rating.

The calculations of exposure to early repayment are carried out based on an accepted model in the market, and these are combined with the measurement of the exposure in the various scenarios.

For further information, please see Note 33D of the financial statements as of December 31, 2024.

Disclosure of interest exposures according to the economic valuation method[A]

Summary of exposures to unexpected changes in interest rates at the Group level (before the impact of tax)

	The potential change in economic value as a result of the scenario[B]					
	December 31, 2024			December 31, 2023		
	An increase of 1%	Decrease of 1%	An increase of 0.1%	An increase of 1%	Decrease of 1%	An increase of 0.1%
Scenario	In NIS million					
In NIS						
Banking portfolio	(2,780)	2,199	(252)	(2,057)	1,490	(173)
Held-for-trading portfolio	(59)	60	(5)	(65)	57	(6)
In foreign currency						
Banking portfolio	(992)	1,017	(99)	(575)	570	(55)
Held-for-trading portfolio	(29)	8	(3)	(18)	13	(2)

a) The gap between the exposures on the chart of the impact of scenarios of interest rate changes on the net fair value and the exposures of economic values presented here results from a different approach to the pension liabilities, net.

b) The gap between the change of 1% and 0.1% results from different assumptions regarding the prepayment rate, as well as the impact of the yield curves.

During 2024 an increase had been recorded in the exposure of the banking portfolio's fair value to an increase of 1% in the interest rate, as reported above.

Part 6B - Share Risk

The risk of investment in shares and funds, is a risk resulting from impairment of the investment in shares or funds or a decrease in profits/dividends paid to the Group. This exposure is managed subject to the investment policy in nostro portfolios, according to which restrictions were set both regarding the overall scope of the investment, as well as regarding a single company.

As part of the investment policy it had been set that the investment activities at the Bank are carried out, *inter alia*, through investment in exchange-traded funds, in indices and basket certificates, rather than in a specific share, while maintaining a high level of dispersion. Additionally, investment activities are carried out by the subsidiary "Leumi Partners" pursuant to the Group investment policy.

Investment in shares and mutual funds in the banking portfolio

	December 31			
	2024		2023	
	Fair value	Capital requirements (A)	Fair value	Capital requirements (A)
	In NIS million			
Non-marketable shares in the not held-for-trading portfolio	**3,999**	**619**	2,817	460
Marketable equity securities and mutual funds in the not held-for-trading portfolio	**3,179**	**429**	2,011	271
Total	**7,178**	**1,048**	4,828	731

(A) The capital requirements were calculated in accordance with the minimum total capital required by the Banking Supervision Department at the rate of 13.5%.

Part 7 - Liquidity Risk and Financing Risk

Liquidity risk is the risk to the banking corporation's profits and stability resulting from the inability to meet its liquidity needs.

Funding risk is the risk of being unable to raise new sources for funding or refinance existing sources needed for ongoing operations, or that such funding will be obtained under conditions and timeframes that would significantly impair the bank's net interest income.

The concentration of the sources is audited and managed by the Bank as part of its liquidity risk management. The Bank performs follow-up on the composition and concentration of sources by several categories, including: Customer size and type, single depositor. The bank conducts continuous and close monitoring of liquidity indications and tracks warning signs that enable early identification of liquidity needs and trends related to its funding sources.

Leumi maintains an adequate liquidity level by investing its own (Nostro) portfolio in high-quality diversified assets in NIS and foreign currencies, so as to meet the liquidity needs under a variety of stress scenarios, as well as through a policy of raising diversified and solid sources for different periods of time, with emphasis on raising deposits from retail customers and issuing long-maturity bonds.

The Leumi Group's liquidity risk management policy is part and parcel of its strategic business management and is adapted to the requirements of Proper Conduct of Banking Business Directive No. 342, Liquidity Risk Management and Proper Banking Management Directive No. 221, Liquidity Coverage Ratio, and the requirements of Proper Conduct of Banking Business Directive 222 - Net Stable Funding Ratio.

Proper Conduct of Banking Business Directive 221 - Liquidity Coverage Ratio is intended to ensure that a banking corporation will hold an adequate inventory of high quality unencumbered liquid assets, comprised of cash or assets that can be converted into cash in private markets with little or no loss of value, in order to meet the banking corporation's liquidity needs in an extreme liquidity scenario lasting 30 days.

The Directive prescribes the manner of calculating the liquidity coverage ratio, including: the characteristics and operational requirements for an "inventory of high-quality liquid assets" and sufficient buffers for them (the numerator); it also prescribes the net cash outflow expected under the stress scenario defined in the Directive for the next 30 calendar days (the denominator). The net cash outflow includes, *inter alia:* withdrawal of deposits of various types according to the exit coefficients set forth in the Directive, utilization of credit lines extended by the Bank, etc. less expected repayments of loans extended by the Bank in the month, according to the repayment coefficients specified in the Directive.
Accordingly, changes in the volume or composition of liquid assets, changes in the scope of deposits in each type of deposits defined in the Directive, changes in the volume and composition of credit, changes in the scope of composition of the derivatives, as well as changes in the scope of credit lines and guarantees, *vis-a-vis* which it is required to maintain liquidity, may lead to a change in the Bank's liquidity coverage ratio.

The regulatory requirement is to meet the liquidity coverage ratio of at least 100%, solo and consolidated.

The liquidity coverage ratio is routinely used on a daily basis to assist in monitoring and control of the liquidity risk. The report on the liquidity coverage ratio to the senior management is made at least once each month and to the Board of Directors at least once each quarter. In accordance with the Directive's requirements, in extreme situations the reporting frequency will be increased to weekly and even daily. In special situations, an immediate report will be submitted to the senior management and to the Board of Directors.

Proper Conduct of Banking Business Directive No. 222, Net Stable Funding Ratio, demands that banking corporations maintain a stable funding profile according to their asset composition and off-balance sheet operations. Maintaining a sustainable financing structure over time is intended to reduce the chances that disruptions in the banking corporation's permanent sources of financing will erode its liquidity situation in a way that will increase its risk of default and lead to a broader systemic scenario.

The regulatory requirement is to meet an NSFR of at least 100%, solo and consolidated. The Net Stable Funding Ratio must be reported to the senior management and Board of Directors at least once each quarter.

The liquidity risk management policy

The management of exposure to liquidity risks is regularly examined, controlled and discussed by the forums and committees at the Board of Directors, management and intermediate levels. In this framework, ongoing follow-up is conducted on cash flow forecasts, trends in various deposit segments, concentration of depositors and fund-raising costs. The Bank's Board of Directors defines the risk probability and sets internal limits that that are stricter than regulatory requirements for the purpose of managing liquidity risk. The CRO sets internal limits that are stricter than those established by the board of directors for day-to-day management purposes. Internal limits serve as additional reserve to ensure compliance in a liquidity stress scenario.

The Bank has a comprehensive infrastructure, management routines, and specialized tools for managing liquidity in foreign currency. This includes daily monitoring of a set of internal risk indicators, as well as internal and regulatory limits. Leumi monitors its liquidity position using indicators capable of providing early warning of changes in the liquidity position, inter alia, by using a regulatory model, as well as internal models developed by Leumi in accordance with the Bank of Israel's directives and accepted international standards. The Bank has a contingency plan in place for early identification handling of a liquidity crisis, which includes a system of warning signs that can indicate a change in the Bank's liquidity status, and establishes an action plan for handling such situations. The Bank maintains an adequate liquidity level by investing its own (nostro) portfolio in high-quality diversified assets in NIS and foreign currencies, so as to meet all liquidity needs under a variety of stress scenarios, as well as through a policy of raising diversified and solid sources for different periods of time, with emphasis on raising deposits from retail customers and issuing long-maturity bonds.

In 2024, the Bank met all of the liquidity restrictions in the various scenarios. pursuant to the policy, which aims to secure resilience even under theoretical severe stress scenarios.

For further information see the Chapter "Liquidity and Financing" in the Board of Directors' and Management' report as at December 31, 2024.

The "Iron Swords" War

Since the outbreak of the War, there has been closer monitoring of the Bank's liquidity situation subject to the various scenarios.

Liquidity coverage ratio - chart of main disclosures (LIQ1)

		For the three months ended December 31			
		2024		2023	
		Total unweighted value (average)(A)(D)	Total weighted value (average)(B)	Total unweighted value (average)(A)(D)	Total weighted value (average)(B)
		In NIS million			
1	Total high-quality liquid assets (HQLA)		**185,804**		166,472
	Cash outflows				
2	Retail deposits from individuals and small businesses	**246,486**	**16,040**	237,141	15,432
3	Of which: stable deposits	**60,155**	**3,008**	57,305	2,865
4	Less stable deposits	**86,271**	**10,030**	82,650	9,651
4A	Deposits for a period exceeding 30 days	**100,060**	**3,002**	97,186	2,916
5	Unsecured wholesale financing	**249,278**	**173,362**	231,789	157,779
7	Of which: non-operational deposits (all counterparties)	**233,608**	**169,073**	217,983	154,315
8	Unsecured debts	**495**	**495**	16	16
10	Additional liquidity requirements	**248,017**	**165,951**	211,720	138,908
11	Of which: cash outflows due to exposure to derivatives and other security requirements	**155,649**	**155,649**	130,236	130,236
13	Credit lines & liquidity	**92,368**	**10,302**	81,484	8,672
14	Other contractual financing commitments	**591**	**591**	706	706
15	Other contingent financing commitments	**79,237**	**2,375**	74,727	2,172
16	Total cash outflows		**358,319**		314,997
	Cash inflows				
17	Secured loans (e.g., transactions to resell)	**1,610**	**-**	1,898	-
18	Cash inflows from regularly repaid exposures	**72,738**	**51,388**	72,297	51,696
19	Other cash inflows	**160,615**	**155,364**	135,498	128,881
20	Total cash inflows	**234,963**	**206,752**	209,693	180,577
	Total adjusted value(C)				
21	Total high-quality liquid assets (HQLA)		**185,804**		166,472
22	Total cash outflows, net		**151,567**		134,420
23	Liquidity coverage ratio (%)		**123%**		124%

a) Unweighted values are calculated as outstanding balances due or repayable by the holder within 30 days (for cash inflows and outflows).
b) Weighted values are calculated after applying appropriate safety cushions or inflow and outflow rates (for cash inflows and outflows).
c) Adjusted values will be calculated after activating (1) safety cushions and cash inflow and outflow rates; and (2) all relevant restrictions (i.e., restriction on high quality liquid assets at Tier 2b and Tier 2 and a restriction on inflows).
d) The values are calculated at the Bank level, based on an average of 74 daily observations during Q4 2024 (78 observations during Q4 2023).

In 2024, the bank complied with the regulatory limits regarding the Liquidity coverage ratio (LCR).
The average liquidity coverage ratio for the three months ended December 31, 2024 is low by approx. 123% compared to the average liquidity coverage ratio for the three months ended December 31, 2023, mainly resulting from the effect of an increase in credit and bond repayments, net, whose effect was partially offset by an increase in deposits by the public.

In the fourth quarter of 2024, the LCR in foreign exchange and across all currencies was above the regulatory requirement, the total consolidated ratio as of December 31, 2024, stood at 129%.

Additional disclosures regarding liquidity coverage ratio (LIQA)

The exposure to liquidity risks is regularly managed at the Group level and a group monitoring process is being developed. The subsidiaries establish liquidity risk management policies and manage the liquidity ratio independently, in line with the Group's policy and subject to the local regulatory framework applicable to each company. In managing liquidity and calculating the LCR ratio the Bank considers possible restrictions on transferring liquidity between the subsidiaries and the Bank itself.

The models serve as a dynamic management tool, allowing ongoing daily oversight, supervision and control of the liquidity status, and their results are reported to all the relevant management and control parties. Additionally, a report on the exposures is presented at least on a quarterly basis to the management and the Board of Directors.

The management of foreign currency liquidity is also affected by activities in NIS and foreign-currency derivatives, which may create currency fluctuations in the liquidity measures, and are therefore closely monitored and managed.

The inventory of high-quality liquid assets(A), as the methodology of the Bank of Israel according to average balances in a quarter

	For the three months ended December 31					
	2024			2023		
	NIS	Foreign currency	CPI-linked NIS	NIS	Foreign currency	CPI-linked NIS
	Total weighted value in NIS millions					
Total Tier 1 assets	**137,058**	**45,118**	**182,176**	123,889	37,558	161,447
Total Tier 2a assets	**-**	**3,352**	**3,352**	-	4,476	4,476
Total Tier 2b assets	**118**	**158**	**276**	305	244	549
Total high-quality liquid assets	**137,176**	**48,628**	**185,804**	124,194	42,278	166,472

a) See Proper Conduct of Banking Businesses Directive No. 221.

Table Inventory - Composition of high-quality liquid assets(A) of Bank of Israel at the end of the period

	As of December 31,					
	2024			2023		
	NIS	Foreign currency	CPI-linked NIS	NIS	Foreign currency	CPI-linked NIS
	Total weighted value in NIS millions					
Total Tier 1 assets	**157,255**	**39,939**	**197,194**	137,766	43,691	181,457
Total Tier 2a assets	**-**	**3,575**	**3,575**	-	4,577	4,577
Total Tier 2b assets	**77**	**128**	**205**	331	238	569
Total high-quality liquid assets	**157,332**	**43,642**	**200,974**	138,097	48,506	186,603

The high-quality liquid assets inventory includes assets that may be easily and quickly converted into cash with little or no loss of value. Classification of assets according to Proper Conduct of Banking Businesses Directive No. 221. Not pledged assets.
Level 1 assets constitute approx. 98% of the Bank’s total high quality liquid asset inventory as at December 31, 2024. These assets primarily include cash, balances with the Bank of Israel, Israeli Government bonds in both NIS as well as foreign currency, U.S. government bonds, and bonds fully guaranteed by the U. S. government.

The balances of the banking industry (current accounts and monetary deposits) in the Bank of Israel as at the end of December 2024, was NIS 134 billion, compared with NIS 82 billion as at the end of December 31, 2023.

The Bank’s Board of Directors, according to the risk appetite that was set, decides on restrictions for managing the liquidity risk. The primary risk manager sets additional restrictions for the ongoing management.

Net stable funding ratio

The net stable funding ratio (NSFR) Directive 222-the net stable funding ratio is intended to improve the resilience of banking corporations’ liquidity risk profile in the long term, by requiring banking corporations to maintain a stable financing profile according to the composition of their assets and their off-balance-sheet activities. The ratio prevents banking corporations from over-reliance on short-term wholesale financing. The measurement is made both on the consolidated as well as separate levels is conducted each quarter; and the regulatory requirement is to meet a 100% ratio.

Net stable financing ratio - chart of main disclosures (LIQ2)

		As at December 31, 2024				
		Unweighted value according to repayment periods				Weighted value
		Without repayment date	Up to six months	Six months to one year	One year or more	
		In NIS million				
	Available stable financing items (AFS)					
1	Equity:	75,150	-	-	18,878	94,028
2	Regulatory capital	75,150	-	-	-	75,150
3	Other capital instruments	-	-	-	18,878	18,878
4	Retail deposits from individuals and small businesses:	-	206,079	35,518	5,678	227,097
5	Stable deposits	-	73,475	6,168	1,212	76,873
6	Less stable deposits	-	132,604	29,350	4,466	150,224
7	Wholesale financing:	-	343,825	26,110	11,001	108,841
8	Operational deposits	-	16,478	-	-	8,239
9	Other wholesale financing	-	327,347	26,110	11,001	100,602
10	Liabilities with matching assets with mutual dependency	-	695	-	817	-
11	Other Liabilities:	-	6,777	3,767	10,494	12,378
12	Liabilities due to derivative instruments for a net stable financing ratio	-		3,461		-
13	All the other liabilities and equity that were not included in the categories above	-	6,777	3,767	10,494	12,378
14	Total available stable financing					442,344
	Required stable financing items (RSF)					
15	Total high-quality liquid assets according to the net stable financing ratio (HQLA)					5,115
16	Deposits held in other financial institutions for operational purposes		-	-	-	-
17	Loans and securities repaid as scheduled:	39	124,819	28,225	322,566	329,965
18	Loans to financial institutions repaid as scheduled that are secured by level 1 high-quality liquid assets	-	4,894	-	-	489
19	Loans to financial institutions repaid as scheduled that are secured by high-quality liquid assets that are not level 1 and loans to financial institutions repaid as scheduled that are not secured	-	36,322	498	3,057	8,754
20	Loans to wholesale customers that are not financial repaid as scheduled, loans to retail customers and small businesses, and loans to sovereigns, central banks and public sector entities, of which:	-	81,888	26,010	164,591	193,852
21	With a weight risk of 35% or less pursuant to Proper Conduct of Banking Businesses Directive No. 203	-	-	-	-	-
22	Housing loans secured by a mortgage repaid as scheduled, of which:	-	890	1,007	144,673	117,125
23	With a weight risk of 35% or less pursuant to Proper Conduct of Banking Businesses Directive No. 203	-	260	285	38,276	26,012
24	Securities that are not in default and that are unsuitable to be considered as high-quality liquid assets, including shares traded on the stock exchange	39	825	710	10,245	9,745
25	Assets with corresponding liabilities of mutual dependency	-	695	-	817	-
26	Other Assets:	-	-	-	-	29,695
27	Goods traded physically, including gold	-		-		-
28	Assets that were deposited as an initial guarantee for derivative contracts and extended in favor of a default fund of central counterparties (CCPs)	-		10,168		8,643
29	Assets due to derivative instruments for a net stable financing ratio	-		3,333		-
30	Liabilities due to derivative instruments for a net stable financing ratio before deducting varying guarantees that were deposited	-		605		605
31	All the other categories of the assets that were not included in the categories above	9,309	1,867	138	9,133	20,447
32	Off-balance sheet items	-		223,058		10,236
33	The total required stable financing (RSF)					375,011
34	The net stable financing ratio (NSFR) (percent)					118%

		As at December 31, 2023				
		Unweighted value according to repayment periods				Weighted value
		Without repayment date	Up to six months	Six months to one year	One year or more	
		In NIS million				
	Available stable financing items (AFS)					
1	Equity:	68,924	-	-	14,482	83,406
2	Regulatory capital	68,924	-	-	-	68,924
3	Other capital instruments	-	-	-	14,482	14,482
4	Retail deposits from individuals and small businesses:	-	203,544	31,772	2,977	218,763
5	Stable deposits	-	73,731	6,314	164	76,206
6	Less stable deposits	-	129,813	25,458	2,813	142,557
7	Wholesale financing:	-	319,422	16,067	11,374	101,442
8	Operational deposits	-	13,754	-	-	6,877
9	Other wholesale financing	-	305,668	16,067	11,374	94,565
10	Liabilities with matching assets with mutual dependency	-	610	-	642	-
11	Other Liabilities:	-	9,234	3,964	11,154	13,136
12	Liabilities due to derivative instruments for a net stable financing ratio	-		2,567		-
13	All the other liabilities and equity that were not included in the categories above	-	9,234	3,964	11,154	13,136
14	Total available stable financing	-	-	-	-	416,747
	Required stable financing items (RSF)	-	-	-	-	-
15	Total high-quality liquid assets according to the net stable financing ratio (HQLA)	-	-	-	-	7,359
16	Deposits held in other financial institutions for operational purposes	-	-	-	-	-
17	Loans and securities repaid as scheduled:	18	112,446	25,619	304,596	311,125
18	Loans to financial institutions repaid as scheduled that are secured by level 1 high-quality liquid assets	-	3,049	-	-	305
19	Loans to financial institutions repaid as scheduled that are secured by high-quality liquid assets that are not level 1 and loans to financial institutions repaid as scheduled that are not secured	-	29,693	564	7,155	11,891
20	Loans to wholesale customers that are not financial repaid as scheduled, loans to retail customers and small businesses, and loans to sovereigns, central banks and public sector entities, of which:	-	76,527	23,957	156,413	183,193
21	With a weight risk of 35% or less pursuant to Proper Conduct of Banking Businesses Directive No. 203	-	-	-	-	-
22	Housing loans secured by a mortgage repaid as scheduled, of which:	-	457	513	130,965	106,157
23	With a weight risk of 35% or less pursuant to Proper Conduct of Banking Businesses Directive No. 203	-	118	135	35,960	25,044
24	Securities that are not in default and that are unsuitable to be considered as high-quality liquid assets, including shares traded on the stock exchange	18	2,720	585	10,063	9,579
25	Assets with corresponding liabilities of mutual dependency	-	610	-	642	-
26	Other Assets:	-	-	-	-	25,822
27	Goods traded physically, including gold	-		-		-
28	Assets that were deposited as an initial guarantee for derivative contracts and extended in favor of a default fund of central counterparties (CCPs)	-		7,236		6,151
29	Assets due to derivative instruments for a net stable financing ratio	-		1,974		-
30	Liabilities due to derivative instruments for a net stable financing ratio before deducting varying guarantees that were deposited	-		534		534
31	All the other categories of the assets that were not included in the categories above	9,259	2,328	205	7,344	19,137
32	Off-balance sheet items	-		196,780		9,051
33	The total required stable financing (RSF)	-	-	-	-	353,357
34	The net stable financing ratio (NSFR) (percent)					118%

The consolidated net stable financing ratio as at December 31, 2024 is 118 percent, unchanged from the ratio as at December 31, 2023, primarily because during 2024, the increase in public deposits and increase in capital components (the Bank's revenues and long issuances) were offset by an increase in credit for the public.

The Bank set internal Net stable funding ratio restrictions, in addition to the Liquidity Risk Management restrictions.

The net stable financing ratio at Leumi relies on stable sources and high-quality assets. The recognized regulatory capital pursuant to Directive 222 adding NIS 18.9 billion of debt instruments, constitute together approximately NIS 94.0 billion and obtain a stable financing ratio of 100%.

Approximately 54% of the credit on the balance sheet are financed by non-wholesale deposits (stable and unstable retail deposits), which obtain a stable financing ratio of 90% and over.

Further information on the liquidity risk and financing risk

Financing risk is the risk of an insufficiently stable financing source structure which fails to serve its designated utilization rate in the long term.

The Bank manages an extensive and diversified infrastructure of stable financing sources for various time periods. The Bank's main source of financing is deposits from retail customers. In addition, the Bank finances its activity through deposits made by commercial and business customers and by issuing notes payable. The sources are managed on an ongoing basis, separately for NIS and foreign currencies. The public deposits in foreign currency constitute approximately 25% of the total public deposits. The Bank has a wide range of foreign currency sources from nonresidents, local retail, business and financial customers.

The Bank has a contingency plan in place for early identification handling of a liquidity crisis, which includes a system of warning signs that can indicate a change in the Bank's liquidity status. Upon the appearance of warning signs, a special forum at the Bank will convene to examine the need to activate the plan, based on the level of severity. The contingency plan includes a list of detailed operational measures outlining, among other things, the order of asset disposal, customer care policies, and systems of reporting to all business entities, the Board of Directors and the Bank of Israel.

Following is the development of the average balances

	2024				2023			
	Unweighted value of retail deposits							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Up to one month	142,852	146,550	145,764	146,426	145,597	143,310	138,880	139,955
Over one month	96,956	96,793	99,169	100,060	80,631	88,079	95,325	97,186
Total	239,808	243,343	244,933	246,486	226,228	231,389	234,205	237,141

During 2024, there had been an increase in NIS retail deposits, while prolonging the deposits

During the year there had not been a significant change in the volume of bonds, promissory notes and subordinated notes net.

Pledged assets according to balance sheet line items

	December 31, 2024			
	Pledged assets	Of which: assets that serve as collateral for a central bank	Unpledged assets	Total
	In NIS million			
Cash and Deposits with Banks	3,428	-	152,400	155,828
Securities	13,007	-	111,094	124,101
Of which: Israeli government bonds	1,133	-	64,252	65,385
Of which: foreign government bonds	11,874	-	5,988	17,862
Of which: Israeli financial institutions	-	-	237	237
Of which: foreign financial institutions	-	-	10,079	10,079
Of which: other bonds in Israel	-	-	1,159	1,159
Of which: other foreign bonds	-	-	4,441	4,441
Of which: asset-backed bonds (ABS) or mortgage-backed (MBS) bonds	-	-	17,749	17,749
Of which: shares and funds	-	-	7,189	7,189
Securities borrowed or purchased under reverse repurchase agreements	4,684	-	-	4,684
Loans to the public	18,855	6,890	436,664	455,519
Other	-	-	45,419	45,419
Total assets	39,974	6,890	745,577	785,551

	December 31, 2023			
	Pledged assets	Of which: assets that serve as collateral for a central bank	Unpledged assets	Total
	In NIS million			
Cash and Deposits with Banks	1,865	-	103,611	105,476
Securities	13,624	2,910	146,424	160,048
Of which: Israeli government bonds	3,615	2,910	92,271	95,886
Of which: foreign government bonds	10,009	-	16,907	26,916
Of which: Israeli financial institutions	-	-	481	481
Of which: foreign financial institutions	-	-	10,297	10,297
Of which: other bonds in Israel	-	-	982	982
Of which: other foreign bonds	-	-	5,002	5,002
Of which: asset-backed bonds (ABS) or mortgage-backed (MBS) bonds	-	-	15,567	15,567
Of which: shares and funds	-	-	4,917	4,917
Securities borrowed or purchased under reverse repurchase agreements	3,053	-	-	3,053
Loans to the public	19,943	9,600	399,543	419,486
Other	-	-	43,434	43,434
Total assets	38,485	12,510	693,012	731,497

Part 8 - Operational Risk

Operational risk is the risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events.

The Leumi Group engages in a wide range of financial activities and is therefore exposed to operational risks which include, inter alia: Information security and cyber risks, IT risk, business continuity risk as well as embezzlement and fraud risks.

The risk management approach is consistent with the Leumi Group's strategy, constitutes a basis for defining its risk tolerance, the manner of managing risk and corporate governance and determining the focus and emphases in operational risk management processes, allowing for informed and well-focused risk management as well as prioritizing tasks and resources.

In 2024, there were no significant changes in the corporate governance structure, policies and operational risk management.

The regulatory capital required for operational risks is calculated using the standardized approach in the capital adequacy measurement directives of the Banking Supervision Department. It should be noted that the Bank of Israel published a revision to this directive that adopts the Basel directive.

For further information on regulatory changes during 2024 and anticipated changes regarding the measurement of capital adequacy, please see the Chapter "Capital and Capital Adequacy" in the Report of the Board of Directors and Management as at December 31, 2024.

Corporate governance structure

In addition to information about the corporate governance structure of risk management in the Bank, which is described in the section entitled "Additional Information about Risk Exposure and Assessment Thereof", following is more information regarding operational risk management:

First line of defense - The business lines' managements, support units and the IT department are responsible for managing the operational risks in their respective purviews, both on an ongoing basis as well as for new projects and products.

Second line of defense - the Operational, IT and Cybersecurity Risk Department in the Risk Management Division is responsible for, and leads, the operational risk management process, while developing risk policy and risk tolerance recommendations, formulating methodologies, as well as professional responsibility for, guidance of and challenging of the effectiveness level (subject to materiality) the first line of defense in the risk management process.

Third line of defense - Internal Audit. The Internal Audit Division is responsible for conducting an independent, objective audit and for challenging controls, processes and automated systems in the banking corporation. The audit is usually performed retrospectively on the first and second lines, ensuring implementation of the guidance of management and the Board of Directors.

Management and board of directors' committees - Each quarter, the committees hold a discussion on the material exposures to operational risks. The operational risk management policy is brought before the Board of Directors for discussion and approval once a year.

The operational risk policy and management framework

The Group's operational risk management policy outlines Leumi's operational risk management principles, guidelines and framework, including: Risk-oriented management adapted to each business line and a focus on risks with potentially significant consequences for the Bank's activity.

To allow the Board of Directors and management to exercise appropriate corporate governance, operational risk tolerance was defined through quantitative restrictions and qualitative declarations.

The operational risk profile is periodically monitored and reported on a quarterly basis to the Bank's management and Board of Directors, serving as a basis for decision-making.

The Bank revises the operational risk map from time to time. The revision is made by the first line units, with the Risk Management Division providing guidance, challenging, and assistance. The process includes identification and (qualitative and quantitative) assessment of the risks and recommendations for minimizing the risks (risk mitigation plans). In addition, there is a system in place supporting risk reporting, documentation of controls, mitigation plans and failure events.

The Bank manages risks in material new projects and products on the basis of a methodology which includes risk identification and mitigation with the aim of complying with Leumi's business and operating goals.

Since the operational risks are cross-organizational, the Risk Management Division is taking steps to instill an advanced risk management culture, including reporting on incidents and drawing conclusions.

Main operational risk areas:

Information security and cyber risk

During the reporting period the trend of increasing cyber-attacks on financial organizations in Israel and around the world, including Leumi, as well as on entities in their supply chains continues. The outbreak of the War led to an additional increase in attacks and in risk, for which Leumi increased its preparedness.

These attempts had no business effect, with very few having a negligible effect on service.

The characteristics of the potential attacks are varied and include ransomware attacks, phishing and social engineering attempts. The probability of exposure to a cyber event materializing increases as a result of a wider use of digital channels by customers and extensive and remote work by employees and suppliers.

Leumi takes several steps to mitigate the risks, including: implementing preventive and detective controls, conducting information security surveys, boosting monitoring to remove fictitious websites, rendering authorization management and control processes more stringent, and increasing awareness to information security guidance among the employees.

During 2024, no cyber incidents were discovered which affected Leumi's financial statements.

IT risk

Leumi attributes great importance to ensuring that the technological infrastructure servicing its customers and employees will enable business and operational availability and continuity, and invests considerable resources to that end. The Bank implements a new product policy, which outlines the risk management processes involved in introducing new products, including new technological initiatives and innovation.

Leumi is implementing a business-technological plan to achieve its business goals in the coming years. The plan is subject to stringent corporate governance.

Business continuity risk

Bank Leumi strives at preserving the continuity of its operations at all times. In its being an essential enterprise it is prepared to cope with external and internal scenarios that may lead to significant operational disruptions in its business activity.

The Bank sets a business continuity policy, which constitutes an outline of guidelines and constitutes a comprehensive work frame for managing the business continuity at the Group level. The following components are included within the work framework - analysis of business consequences, a recovery strategy (including backups and retrieval capabilities), a business continuity plan and carrying out regular technological and business drills. Leumi manages and implements processes with the purpose of allowing quick recovery in case of emergency and stress events, while minimizing the damage to the business activity.

The “Iron Swords” War and the “escalation in the north” - the Bank has taken various practical steps for coping with the scenario’s threats - actions were taken in the business, technological, operational and human resources aspects. At the Bank’s initiative, aiming at obtaining preference in allocating national resources to the banking system, the critical locations for electricity supply were mapped, and the critical communication lines were mapped to ensure operational continuity.

Outsourcing and supplier risk

Leumi contracts suppliers and sub-suppliers for various business needs and adopts new products and services developed by external entities. This, while implementing a protective concept and informed management of the technology and business risks.

Its dependence on suppliers exposes the Bank to various risks, including business continuity, disruption and information leakage. Such risks are managed on an ongoing basis through risk management and a new product, procurement processes, information security, business continuity and cyber security workflows **and anchored accordingly in policy papers and procedures.**

There is an outsourcing policy and within the operational risk policy there is a dedicated chapter for third party risk .

Embezzlement

To address the embezzlement risk, the Bank works on several levels to increase awareness among all Bank employees, with emphasis on risk managers and heightened monitoring of employees on the verge of leaving the Bank, a speak up mechanism which encourages employees to report breaches, etc.

The is a chapter dedicated to managing fraud and embezzlement risks as part of the operational risk management policy and a special embezzlement forum had been appointed to handle the issue.

Fraud

The expanded use of digital channels could increase exposure to embezzlement risks in terms of identity, money and information theft, as well as compromise functionality and cause customer information leaks and misuse of information. Leumi invests significant resources in identifying and mitigating these risks through focused, ongoing monitoring, including a fraud forum to coordinate the issue.

The human resource risks

The changes in the business and banking environment affect the human capital domain as well, and accordingly, the need to adapt the work force to the needs of the changing world. Leumi uses various means to address the risk.

Part 9 - Climate and Environmental Risk

Climate-related and environmental risks to the Bank are exposure to potential damage which may be caused as a result of events or processes related to the environment and climate change.

Environmental risks arise from the Bank's exposure to activities which may potentially cause environmental damage or be affected therefrom, such as: air pollution, soil contamination, water shortage, desertification, loss of biodiversity, deforestation, and earthquakes.
Climate-related risks arise from exposure to physical risks or transition risks caused by or related to climate change. Environmental and climate-related risks are usually divided into three types:

- Physical risks - financial risks due to the exposure to damage from acute extreme events related to climate or weather (such as heat waves, droughts, avalanches, floods, fires, storms and more) and/or exposure to damage from gradual chronic processes related to climate change (such as a rise in the sea level, an increasing average temperature).
- Transition risks - financial risks due to exposure to the transition process to an economy with low greenhouse gas emissions, which may include, for example, changes in the climate and environmental policy, technological changes or changes in the public's preferences.
- Liability risk - financial risks due to the exposure to legal claims, in which the plaintiffs demand the imposition of responsibility and/or request compensation for damages or losses related to climate changes.

The Bank is exposed to these risks both directly and indirectly.

Environmental risks may have a financial and non-financial impact on the Bank, such as: credit risk, market risk and liquidity risk, as well as operational risk, compliance risk, legal risk, regulatory risk, reputational risk (such as in a case where the Bank is attributed a connection to an environmental hazard, either directly as the creator of the hazard or indirectly as the financier of the hazard).

The Bank's Board of Directors considers the management of environmental and climate-related risks an integral part of the Bank's business strategy and goals, to preserve the Bank's stability, in view of its centrality and importance for the economy and the Israeli society and as a business-strategic opportunity. Leumi recognizes the economic, social and environmental responsibility assigned to it in accompanying and supporting our customers in the transition process through the provision of credit and supporting investments. Focus on the management and assessment of exposure to climate-related risk along with identification of the opportunities is an integral part of the process.

On June 12, 2023, the Banking Supervision Department published Proper Conduct of Banking Business Directive No. 345, "Principles for Effective Management of Climate-Related Financial Risks". The Directive establishes "fundamental principles" for effective management and supervision of climate-related financial risks, according to which the banking corporations are required to operate to optimally manage their exposure to these financial risks. The Directive will apply from June 2025, and the Bank is preparing for its implementation.

Climate-related risk management framework and policy

The Bank has formulated a policy for managing environmental and climate aspects, which establishes principles for identifying and managing risks and defines the areas of responsibility and reporting mechanisms. In addition, a work plan was formulated that includes improved methodologies and measurement methods, alongside actions taken by the Bank to identify and map the exposure to climate and environmental risks and to reduce them.

This is forward-looking information, the materialization of which is uncertain and not under the Bank's sole control, taking into account that this is an "evolving" domain.

For further information, please see the Environment chapter in the Bank's Environmental, Social and Governance (ESG) Report for 2024.

Identification and management of climate-related risks in principal risk management

The Bank recognizes that the identification and assessment of the environmental risk is part of an adequate risk assessment process and is working to implement environmental risk exposure management, including climate-related risk (physical risk and transfer risk), as follows:

- Risk management as part of the credit activity - The Bank has formulated a methodology for assessing the potential exposure of Israeli economic sectors to key risk factors associated with climate and environmental risks, as well as tools and methodology for assessing specific credit risks to borrowers based on substance and risks, for identifying, measuring, assessing, monitoring, reporting and controlling the risk, including manners of managing the risk and mitigating its effect on the credit exposures.
- Investments and Nostro risk - market and investment risk management policy determines guidelines for managing the risk, including combining environmental and climate risks in the investment decision making process and in the management of existing investments. The work plan to improve the methodologies and measurement tools for managing environmental and climate-related risks also include investments; the aim is to develop tools and expertise to promote environmentally-friendly measures and business opportunities.
- Operational risk - The Bank has set itself a goal that the direct and indirect impact of its activity will lead to a reduction in the negative effects of the environment.
- Reputational risk - A policy has been formulated for the management of reputational risk, which is adapted to the Bank's strategy and includes reference to the issue of environment and climate. The annual work plan includes communication of business moves on the subject.

The following table presents the share of the economic sectors with high emissions, that have increased exposure to transition risks, from all credit risk balances - Bank.

Exposure to economic sectors with high emissions, characterized by increased transition risk(A) - the Bank

	Chemical industry and cement manufacturers(B)	Transportation, shipping and vehicle manufacturing(C)	Manufacturers of metal products and wood and paper products(D)	Generation of electricity from fossil fuels(E)	Livestock agriculture(F)	Fossil fuels(G)	Total
December 31, 2024	**1.33%**	**1.08%**	**0.49%**	**0.71%**	**0.13%**	**0.96%**	**4.70%**
December 31, 2023	1.42%	1.22%	0.55%	0.71%	0.16%	1.03%	5.09%

a) In order to define high emission sectors, which are characterized by increased exposure to some of the transition risks related to the extent of the emissions (such as carbon taxation, regulations for the reduction of emissions, legal liability and exposure to disruptive technology and innovation risks), the Bank used lists of high emission sectors from leading global work frameworks on the subject - SBTI, PACTA, UNEP-FI.
b) Manufacture of chemicals and their products, pharmaceutical industry, rubber and plastic products industry and cement manufacturers.
c) Economic sectors of land transport, marine transport, air transport, postal services and national couriers, the motor vehicle industry and ship and boat building.
d) Economic sectors of the manufacture of wood and paper products (except furniture) and the manufacture of metal products (iron and steel, non-ferrous metals).
e) Economic sector of the supply of electricity, gas, steam and air conditioning, transmission and distribution of electricity.
f) The livestock, fishing and marine agriculture, including mixed farming.
g) Activities of producing oil, natural gas and coal mining, including the supply, transport and retail trade of fuel.

Scenario analysis

In 2024 the Bank had performed stress tests, concerning the transition risk that are based on various climate scenarios, according the the leading global practices. In 2025 the Bank will complete the stress tests in respect of the physical risk.

As a rule, the scenarios' results are consistent with the Bank's assessment of the climate risk level distributed by industries (heat map). Accordingly, the more exposed industries, the risk profile of which may increase due to materialization of the risk climate scenarios stated above, are the energy and fuels industries, the chemical and other heavy industries (such as construction materials), as also a significant increase is expected in the long term in the various services and various environmental infrastructures.

In respect of each of the industries that have been identified as having a significant potential to be adversely affected by realization of the climate risk, the Bank will examine the need for adjusting the credit policy and reducing the risk's impact on the credit exposures while addressing the structured restrictions of the scenario (the lack of individual data regarding Israel, non-sensitivity to the nature of the Israeli market, the separation between the physical risks and transition risks, and focusing on the price of carbon as a central explanatory variable for the results). Additionally, the Bank will continue to analyze the individual risks of the borrowers who meet the essential thresholds that had been set, through the dedicated methodology the Bank has developed for the issue.

For further information concerning the climate scenarios the Bank had conducted, please see the chapter "Analyzing Climate Scenarios" in the Bank's Environmental, Social and Governance (ESG) Report for 2024.

A climate risk is a "developing" risk. Evolving risks are characterized by lack of quantitative data of adequate historical depth for their estimate and by high variance compared to other risks over time; this requires well-structured processes to adjust their management and measurement tools.
The Bank is monitoring regulatory, technologies and company-based developments, studying them and adjusting the risk management tools and methodologies on an ongoing basis.

The information in this section constitutes forward-looking information. For the meaning of the term, please see the chapter "Forward-Looking Information".

For further information, please see the Environment Chapter in the Bank's Environmental, Social and Governance (ESG) Report for 2024.

Part 10 - Other Risks

Regulatory Risk

Regulatory risk is the risk that changes in regulation will have an effect on the Group's income and expenses, its capital, areas of activity or on the business environment in which it operates.

The Leumi Group operates in a complex and multi-dimensional environment. Continuous material changes in a variety of regulatory fields require adequate, ongoing preparations by the Bank.

Recently, the emphasis had been placed mainly on guidance in the following areas:

Regulatory initiatives concerning promotion of competition in the financial sector, including in the open-banking domains, various legislation amendments were promoted, enabling, *inter alia*, entry of non-banking entities to the payment services domain; as well as launching new financial funds similar in their characteristics to deposits, while excluding them from the Consulting Law and expansion of their distribution channels. In addition, inter-office teams were formed to examine legislative initiatives in different areas, including: a graded outline of licensing and regulation for non-banking bodies; reduction of regulatory arbitrage for investment and short- and medium- term savings instruments; assessment of the use of AI in the financial sector; assessment of possible changes to the fees and remuneration structure in the public's securities operations. At the same time, additional regulatory initiatives are promoted concerning customer-Bank relations and conduct, and particularly in the commission field ; directives concerning the risk management field, including environmental, social, and governmental risks (ESG); directives concerning prohibition of money laundering and prohibition of financing terrorism risks; directives concerning privacy protection and information security; as a call for comments and public positions had been published regarding the criteria considered in the process of examining banks' applications for closing permanent branches.

In addition, as part of the balancing plan to achieve the budget targets for 2024, a law providing for a special payment by banks that are not banks with a minor scope of activity (a bank whose assets under management value is less than 5 percent of the asset value of all the banks in Israel) in 2024 and 2025 in order to reach the budgetary targets, as a temporary order due to the "Iron Swords" War.

Against the backdrop of the War and its consequences for the Israeli population and economy, including for households and businesses, the Banking Supervision Department and other regulators established a series of regulatory measures - including adjustments, expedients and deferral of dates in various regulatory provisions - with the aim of ensuring business continuity and provision of ongoing services by the banking system, in accordance with the limitations of the security situation for the purpose of providing the assistance required by customers of the banking system, with heightened sensitivity to the customers' needs and difficulties. Various arrangements were also approved in legislation to meet the needs of the economy, certain population groups and the public during the War period, and some have an impact on the Bank's activities.

These trends and changes affect, and are expected to continue to affect, the Israeli banking system in the coming years. The Bank monitors and identifies relevant regulatory provisions, and examines its preparedness for the following: changing market conditions; increased competition and transparency; entry of new players into traditional banking domains; use of databases and information of the Bank's customers by non-banking entities; and providing customers with tailored value propositions. At the same time, the regulation erodes income, increases compliance expenses and requires constant improvement of the service and innovation levels.

For further details, please see the chapter "Legislation and Regulation Concerning the Banking System in the Corporate Governance Report as at December 31 2024.

Compliance Risk

Compliance risk is the risk of a sanction being imposed, or a material financial loss or a reputational damage incurred, by the banking corporation as a result of failing to comply with the provisions of the law or regulations.

Proper Conduct of Banking Business Directive No. 308, “Compliance and the Compliance Function in Banking Corporations”, formally defines the compliance function’s areas of responsibility at the Group level. The directive stipulates that a bank must assess the effectiveness of its compliance risk management, and find means to measure it, with the risk derived from the entire body of laws governing the Bank's activity.

According to the Bank's policy, compliance risk is managed at the Group level. In this context, various steps are taken to supervise and control foreign office and subsidiaries in order to monitor implementation of compliance aspects as a whole and apply the Group's compliance policy.

To effectively manage compliance risk, Leumi has in place a compliance and enforcement function, headed by the Chief Compliance Officer. The Chief Compliance Officer is responsible, among other things, for meeting the legal requirements of the prohibition on money laundering and terror financing and implementation of the international sanction regimes in accordance with the Bank’s policy.

As part of implementing the international sanctions regime, over the last year the required adjustments were made in the work procedures, given the expansion of the international sanctions regimes against Russia and Belarus, including the prohibition on enabling banking activity that supports the Russian military industry.

The Chief Compliance Officer also serves as the securities law enforcement officer, the privacy protection officer, and the officer responsible for FATCA implementation, the CRS and the QI agreement.

The Compliance and Enforcement Department reports to the Chief Risk Officer.

a. Prohibition on money laundering and prohibition on financing of terrorism

Maintaining proper compliance culture across the entire organization requires an effective control and enforcement framework. To this end, strict work procedures and control and enforcement processes have been established for all workflows and their relevant compliance risks. The purpose of the control and enforcement framework is, among other things, to identify existing and potential gaps and exposures in order to determine whether work processes and training programs should be revised.

The Compliance Department is in regular contact with subsidiaries in Israel and abroad, for the purpose of monitoring the implementation of compliance issues as a whole as well as the implementation of the Group’s compliance policy.

b. Administrative enforcement

The Law of Efficiency of Enforcement Procedures in the Israel Securities Authority (Legislative Amendments), 2011 was designed to streamline the enforcement of legislative provisions in the securities domain. The law allows the regulator to impose various sanctions on a corporation, its officers and employees if they have violated the relevant provisions.

The Group’s Chief Compliance Officer also serves as the Chief Compliance Enforcement Officer, responsible for the implementation of the internal enforcement program in the area of securities and investment management which was approved by the Bank’s Board of Directors.

c. Foreign Account Tax Compliance Act (FATCA) - Common Reporting Standard (CRS) and the reported funds policy and Declared Money Policy (DMP)

On July 14, 2016, the Income Tax Ordinance Amendment Law (No. 227), 2016 was published, on the implementation of the FATCA agreement between the State of Israel and the United States and agreements for information exchange between Israel and other countries, pursuant to the Standard for Automatic Exchange of Financial Account Information published by the OECD.

The Income Tax (Implementation of a Uniform Standard for Reporting and Due Diligence of Information on Financial Accounts) Regulations, 2019, were published on February 6, 2019. Pursuant to the regulations, the Bank is required to authenticate customers who are residents of foreign countries, and to report customers identified as residents of countries with which Israel has information exchange agreements to the Israel Tax Authority, which will forward the information to the competent authorities in the customers' countries of residence.

The Bank reports to the Israel Tax Authority according to the provisions of the said law.

The Bank implements a Declared Money Policy (DMP) while ensuring that there are no funds managed by the Bank that are not reported to the relevant tax authorities; in this context, various measures were taken to locate and identify the relevant target audiences. If needed, customers are required to provide various statements and approvals.

On February 12, 2024, and on October 29, 2024, financial sanctions were imposed on Bank by the Banking Supervision Department. For further information regarding the financial sanctions, please see Note 25.D in the financial statements as at December 31, 2024.

Legal Risk

The legal risk is defined as exposure to damage/loss resulting from claims against the Bank, provision of a defective legal opinion, preparation of defective agreements, non-provision of appropriate legal instructions following changes in legislation and/or case law and/or legal issues arising as part of embedment or implementation of legislation, regulation and case law and/or as a result of fines that would be imposed on the Bank and supervisory activity.

Legal risks arise from five main areas:

- Legislation risks - risks attributable to the Bank's activity in the event where the legal analysis is not consistent with a primary or secondary legal provision, the Bank of Israel's directives or directives issued by other competent authorities.
- Contractual risks - risks attributable to the Bank's activity with customers, suppliers and other parties with whom the Bank contracts, if the activity is not backed by an agreement that fully establishes the Bank's interests, or the agreement is not fully enforceable or includes illegal terms and conditions.
- Court ruling risks – risks arising from the Bank's activity if it does not comply with case law.
- Risks attributable to legal proceedings conducted against the Bank.
- Risks arising from changes in enforcement policy.

Legal risk policy and management framework

The Chief Legal Counsel, who is a member of the Bank's management and Head of the Legal Counsel Division, is the Bank's legal risks manager, and she is responsible for leading legal risk management.

The Group implements a program for managing legal risk, which aims to identify, prevent, manage and mitigate legal risk. The program includes policy papers and an interface between the Legal Counsel Division and units of the Bank, as well as internal procedures applicable to the Legal Division, the purpose of which is to ensure that legal counseling provided within the Bank is professional and up-to-date. The Bank's subsidiaries, domestic and foreign, implement a policy for legal risk management as part of dedicated policy papers and internal procedures for managing legal risks in with its activity and the Group's policy on the subject. According to the legal risk procedures in the subsidiaries, they are required to seek adequate legal advice for certain issues. In addition, the subsidiaries send periodic and immediate reports to the Bank's Legal Risk Manager, as required by the policy papers.

In the context of the legal risk management program, the following points have been emphasized:

- Identifying and handling sources of material legal risks.
- Preventing and mitigating legal risk, inter alia, through:
  - Preparing adequate agreements, guidelines and procedures.
  - Reviewing regulatory and legal provisions (including judgments), and their implications for the Bank's activity.
  - Drawing conclusions on various topics and implementing the conclusions drawn in legal documents used by the Bank, as well as providing opinions on these topics to the relevant units in the Bank.

The parties responsible for executing the legal risk management program include various officials and committees within the Legal Counsel Division, special purpose factors and committees - whose function is to review, coordinate and handle new legislation and rulings applicable to the Bank's activities.
In addition, the Legal Counsel Division identifies and handles, as needed, new regulation (primary legislation, secondary legislation, regulatory directives), as early as the proposed law or regulation formulation stage.

The activity of each of the abovementioned officials and committees is prescribed by internal work procedures of the Legal Counsel Division. The procedures stipulate, inter alia, the information interfaces between each of these parties and the legal risk team of the division, the division's management and the Legal Risk Manager.

General legal exposure

There is a general legal exposure, which cannot be assessed or quantified, arising, inter alia, from the complexity of the services rendered by the Bank and the consolidated companies to their customers. The complexity of these services embodies, among other things, a potential for claims relating to commercial and regulatory terms and conditions. It is impossible to foresee all of the types of claims which may be raised in this area and the exposure deriving from these and other claims in connection with the services provided by the Bank and its consolidated companies, which are filed, inter alia, in respect of motions to certify class actions.

There is also legal exposure due to regulatory changes and guidance issued by the Banking Supervision Department, the Israel Securities Authority and other regulators to which the Bank is subjected.

Some engagements with customers last many years, in the course of which policies, regulations and legal trends, as well as court rulings, may change. The Bank and the consolidated companies use complex automated systems, which are adjusted on a regular basis according to the changing reality. All the above create an increased operating and legal exposure.

There is also a general legal exposure arising from complaints filed from time to time with the Banking Supervision Department against the Bank and the consolidated companies, which may, under certain circumstances, result in legal proceedings against the Bank. For the time being, it is impossible to assess whether there is exposure due to such complaints and whether the Banking Supervision Department will issue an industry-wide decision regarding such complaints and/or whether class actions or other types of lawsuits would be filed as a result of such proceedings. It is therefore impossible to assess the potential exposure to such complaints. As a result, no provision was made for the said exposure.

Reputational Risk

Reputational risk refers to Bank Leumi's stakeholders' perceptions - (customers, shareholders, bond holders, the general public), and reflects the gap of expectations between the stakeholders and the Bank's conduct, which may lead to a negative discourse regarding the Bank in the various media channels (journalism, television, radio) and on social networks.

The reputational risk is a cross-cutting risk that is directly related also to the materialization of other risks, which the Bank, including all its departments, manages and is affected by them in a significant manner.

The Spokesman's Department exercises active media activities, and lead media and marketing initiatives for increasing the Bank's positive exposure, regularly monitors the media discourse regarding the Bank and manages and the other banking system, manages a regular interface with all the Bank's units in order to enable optimal media relations when events occur that could have a potential adverse effect on the Bank's reputation.

Strategic Risk

Strategic risk is the risk of significant harm to current and future financial resilience and a result of erroneous strategy decisions, faulty implementation of strategic decisions or failure to respond to changes in the banking sector and operating environment.

The financial industry and banking sector has experienced significant changes that affect the strategy risk, and require adjustment of the business model, including: entry of new players, such as FinTechs, insurance companies, non-banking credit companies and digital banks, which often enjoy regulatory arbitrage compared to the regulation applicable to banks, as well as flexible computer systems. Additionally, regulatory changes that support encouraging competition, such as open banking initiative, a rated license for a bank, tools for supervising the bank for comparing between banks in various aspects, and more.

Underlying the Bank's strategy is the vision to lead proactive, innovative and responsible banking for the customers and to grow expeditiously with the customers in focus. As part of implementing the strategy, the Bank leads in recent years significant moves for improving the service, including expansion of the supply of digital services and products for its customers.

The strategic risk is managed by the Bank's Board of Directors and management. The Strategy Department accompanies the Board of Directors and management, and constitutes a source of knowledge and professional solution for the CEO and the various departments concerning issues that have a strategic impact.

The Bank's strategic plan is for three years, and has been approved by management and the Board of Directors. The strategic plan is set following an extensive process of examining trends and changes in the business environment, competitive environment, technological environment and customer preferences, in an effort to identify threats and opportunities.

During 2024 a process of planning and defining the strategy, the indicators and strategic goals has been conducted, upon completion thereof a discussion was held by the Bank's management for approving the work plan and strategy, including the Risk Management Department's stance as a secondarily line for managing this risk.

Models Risk

Models risk is the risk of a loss or harm to the Bank's reputation due to erroneous, model-based decision-making, as a result of using an erroneous model, reliance on non-representative data, errors in implementing the model or faulty use of the model.

The models risk management policy was approved by the Bank's management and Board of Directors with the approach that the nature and quality of models are vital to ongoing business activity. The policy covers principles of model risk management, definition of corporate governance, officers and reporting hierarchies.
Under the policy, a multi-year risk-based work plan was developed to manage and mitigate model risks; the Bank continues to apply the risk mitigation work plan.

The Bank's strategy for transitioning to using digital tools and models-based processes increase the reliance on models in work processes. This trend increases the efficiency, transparency and objectivity of the processes, thereby mitigating fair conduct, service, credit underwriting risks but increasing models risks. The work plan to manage and monitor models' risks has been adjusted to these heightened risks.

The Bank continues tracking the impact of the macroeconomic changes on the environment of the risk management models.
On August 21, 2024, a new banking directive, no. 369 concerning effective management of model risks had been published. The Directive refers to, *inter alia*, processes of appropriate development, implementation and use of the models, a process of verification of the model as well as the corporate governance and monitoring mechanisms. The directive replaces the Banking Supervision Department's October 2010 letter regarding model validation, and it is based on the guidelines of the US regulators regarding the risk management model (SR Letter 11-7). The directive will come into force on August 21 2025 (but will not apply to exceptional models regarding which other dates have been set). The Bank is preparing for implementation thereof.

Conduct Risk

Conduct risk is the risk that the Bank's conduct will lead to an unwanted outcome for a customer due to inadequate service, inappropriate service or unfair conduct. The risk also includes inappropriate conduct affecting market integrity (the public's trust in the banking sector). The materialization of the risk may cause the Bank losses as a result of lawsuits (including class action lawsuits), sanctions or fines imposed (due to violating conduct-related provisions) and/or reputational damage.

The Bank adheres to transparent and fair practices in an effort to provide its customers with valuable services and products. This principle is reflected in the Bank's vision – to champion proactive, innovative and responsible banking for the customers and to grow expeditiously with the customers in focus. In addition, the proactive and sale processes are subject to procedures and controls that support proper conduct and which are assessed on a regular basis, with the aim of continuously upgrading them.

The consumer-focused regulation trend continues, with emphasis on conduct. In this context, the Bank continues to adhere to the principles of fairness and is working to implement Bank of Israel Directive No. 501, "Managing a Customer Service and Support System".

The Bank continues to promote the provision of financial services using digital platforms and models; the assumption is that this measure will, among its other advantages, mitigates the conduct risk.

Macroeconomic Risk

For information regarding macroeconomic risk, please see Part 1 above - the most substantial and developing key risks.

Part 11 - Remuneration

Qualitative disclosure as part of a table (REMA)

Below is the Bank's disclosure on remuneration, pursuant to the disclosure requirements under Pillar 3 of the Basel Accord, as stipulated in the Supervision of Banks' Reporting to the Public Directives.

Qualitative disclosure

a. Information about the functions supervising remuneration

Name, composition and purview of the main function supervising remuneration	The Board of Directors' Remuneration Committee is the primary factor supervising remuneration at the Bank. Among its other duties, the Committee discusses, approves and provides recommendations to the Board of Directors regarding the Bank's remuneration policy, officeholder employment and term of office, as well as the principles of other employees' terms of employment.
Details of external consultants the Bank wishes to consult regarding remuneration, the function requesting the service and in which aspects of the remuneration processes.	Deloitte provides auditing services for the renumeration mechanism and Adv. Eyal Dotan of the Meitar Law Firm provides legal support.
Description of the scope of the Bank's remuneration policy.	The Bank's remuneration policy includes three policy papers: a remuneration policy applying to the Bank's officeholders; a remuneration policy applying to key employees at the Bank (who are not officeholders); and a remuneration policy applying to the Bank's other employees. The remuneration policy is a Group policy, and it includes recommended guidelines and principles for the subsidiaries. The renumeration policy for the officeholders at the Bank had been approved by the Bank's General Meeting that was held in August 2022, took effect in 2023 and will apply until the end of 2025 (excluding a section that concerns capital renumeration that applies already since the date of approval of the renumeration policy by the General Meeting as aforementioned). The renumeration policy for key employees who are not officeholders and the renumeration policy for all the Bank's employees (who are not key employees) were approved by the Renumeration Committee and the Board of Directors in January, 2023. The aforesaid renumeration policy for key employees who are not officeholders and the said renumeration policy for all the Bank's employees took effect in 2023, and will continue to apply until the end of 2025.
A description of the types of employees considered as senior officeholders and other key employees.	The group of employees who are considered as senior officeholders at the Bank for this purpose, includes the Chairman of the Board of Directors and the other members of the Board, the CEO, the other members of the management (including the Chief Internal Auditor). Additionally, the group includes the Chief Compliance Officer and the Bank's Secretary. The group of the other key employees (who are not officeholders) had been set pursuant to the definition of this term in Directive 301A of the Proper Conduct of Banking Businesses Directive.

b. Information on planning and structure of remuneration processes

Review of the main characteristics and the remuneration policy objectives	The remuneration policy is based, *inter alia*, on the (I) provisions of the Companies Law concerning setting a renumeration policy, (II) set in Proper Conduct of Banking Business Directive No. 301A regarding the remuneration policy in a banking corporation (III) the Officeholder Remuneration in Financial Corporations Law (Special Permit and Non Tax-Deductible Expenses Due to Exceptional Remuneration), 2016 (the **"Remuneration Limitation Law"**), and all as applicable and considering the types of managers and employees to whom each of the Bank' renumeration policy papers already applies. The policy includes, *inter alia,* and as the case may be, provisions regarding fixed remuneration (including wages and ancillary benefits), varying remuneration and the conditions for receiving it, capital renumeration, terms of termination office, terms under which the Bank may demand a partial or full refund of bonuses that were granted, as well as various provisions intended to prevent taking risks that deviate from the Bank's risk appetite, for example, provisions required in the suitable cases for deferral of payment of part of the varying bonus, pursuant and subject to the directive of the Banking Supervision Department.
A review of changes made in the Bank's remuneration policy during the reporting year, the reasons for these changes and their impact on the renumeration.	In 2024 no changes were made in the renumeration policy for officeholders at the Bank, the renumeration policy for key employees who are not officeholders or the renumeration policy for all the Bank's employees (who are not key employees or officeholders).
Discussion of the manner in which the Bank ensures that employees who handle risks and compliance are rewarded independently of the businesses they oversee.	The variable annual remuneration component of the renumeration policy for officeholders and the renumeration policy for the other key employees at the Bank (hereinafter jointly: the "**Renumeration Policy**"), ensures that employees who handle risk management and compliance are rewarded independently of the businesses they oversee. Thus, a significant part of the total variable annual remuneration is based on personal performance and qualitative criteria in accordance with the relevant key employee's purview, independently of the business results of the Bank and/or the business units overseen by employees engaged in risk management and compliance. In addition, in light of the Remuneration Limitation Law, the maximal annual bonus had been had been limited in the renumeration policy in a manner that does not require differentiation between employees engaged in risk management and compliance and other employees, in terms of the ratio between the varying remuneration and the fixed renumeration.

c. Description of the manner in which existing and future risks are taken into account in the remuneration process

A review of the main risks, measurement thereof and the manners in which these indicators affect the renumeration.	The remuneration policy is intended to prevent taking short term risks and prescribes various mechanisms to ensure that the various risks related to the Bank's activity are taken into account in determining the sum of the varying remuneration of the key employees. Thus, for example, measurement of the performance regarding the measurable varying bonus components, which are based on the Bank's return on equity and the Bank's share return, is calculated according to the Bank's weighted return on equity over a period of three years, and according to the weighted gap of the share's return over three years. Additionally, according to the renumeration policy, the Renumeration Committee and the Board of Directors are required to consider various parameters in setting the qualitative personal bonus, such as non-compliance with the laws and regulations, non-compliance with the Bank's policies and procedures; no significant deviation from the policies set by the Board of Directors, including failure to comply with the Bank's risk management policy and risk appetite, audit reports issued in connection with the purview of the key employee, etc. Additionally, the Board of Directors is empowered to reduce, in the appropriate cases, the measurable varying bonus to the officeholders, as the CEO is empowered to reduce, in the appropriate cases, the varying bonus to the key employees who are not officeholders. The remuneration policy establishes mechanisms aimed at creating incentives to ensure that the varying remuneration amount is affected by actual materialization of the risks, such as: a mechanism that requires, in certain cases, deferral of part of the varying bonus over several years, provisions enabling return of part or all the varying bonuses under certain conditions, etc. In addition to the above, in light of the enactment of the Remuneration Limitation Law, the scope of the varying bonus is lower than it had been in the past - prior to the enactment of the Renumeration Limitation Law. In and of itself, this reduction could reduce the incentive to take risks that deviate from the Bank's risk appetite.

d. Description of the manner in which the Bank links performance to reward levels during the performance measurement period

Review of the Bank's main performance indicators - both for the upper level of the business lines and personal performance.	The main performance indicators in the renumeration policy (weighted and calculated over three years) are: • The Bank's weighted return on equity; the weighted gap between the annual return of the Bank's share and the annual return on the Tel Aviv Bank index (excluding the Bank's share); the Bank's weighted efficiency ratio, another component or components that may be set by Renumeration Committee and the Board of Directors at the beginning of each year. • Measurement of personal qualitative criteria in accordance with the key employee's purview, such as: the contribution to the Bank's strategic plans, implementing and executing as well as promotion of strategic plans and goals; streamlining, initiation, leading and promoting projects, non-compliance with laws, regulation and the Bank's procedures; failure to meet significant provisions of the policy papers the Board of Directors had set; failure to comply with the risk management policy and the Bank's risk appetite; audit reports; etc.
Discussion of the manner in which personal remuneration is linked to the results of the bank as a whole and to personal performance.	See above.
Discussion of the main indicators usually used by the Bank to adjust the remuneration in the event that the performance indicators are weak, including the Bank's criteria for determining when performance indicators are weak.	Pursuant to the remuneration policy, all the Bank's key employees' (including officeholders at the Bank) entitlement to the measurable annual bonus is conditional upon the Bank's meeting the threshold requirements of the capital adequacy ratios required by the directives of the Banking Supervision Department during the bonus year. In addition, part of the measurable annual bonus is conditional upon achieving a minimum weighted return on equity in the bonus year, an additional part is conditional upon achieving a minimal return on equity gap between the weighted annual return of the Bank's share and the annual return of the Tel Aviv Bank index, excluding the Bank's share, and an additional part is conditional upon achieving the Bank's minimal weighted efficiency ratio, all as shall be set by the Renumeration Committee and the Board of Directors at the beginning of each year, and all are calculated over three years, as aforementioned. According to the renumeration policy and the Banking Supervision Department's directives, in the event where the varying remuneration is higher than 40% of the annual fixed remuneration, a mechanism of a uniform deferral is operated whereby half (50%) of the amount of the varying remuneration is paid in cash, and the other half is paid in three equal portions: at the end of the year, after two years and after three years. The varying remuneration, in whole or in part, may be made by way of stocks and/or equity-based instruments. A deferred bonus will be released only where on the release date the Bank is meeting the required capital adequacy ratios (or the maturity conditions set in a capital renumeration, should capital renumeration be granted, as applicable). Should this not be the case, the payment will be deferred until the target is met, as aforesaid. In addition, the Bank's Board of Directors has the discretion to reduce the measurable annual bonus amount, in whole or in part, for some of, or all, of the officeholders, after obtaining the approval of the Renumeration Committee. In respect of key employees who are not officeholders - the CEO may decide, at his discretion, to reduce the amount of the varying annual bonus (in whole or in part) to these key employees.

e. Description of the ways in which the Bank links the remuneration to longer-term performance

Discussion of the Bank's policy regarding the deferral and vesting of variable remuneration, and whether the deferred part of the variable bonus varies among employees or groups of employees; description of the factors determining the said part and their relative weight.	See above.
Discussion of the Bank's policy and criteria for adjusting a deferred remuneration before and after vesting by means of a claw back arrangement	In addition to the aforesaid, pursuant to the renumeration policy, a key employee is required to return to the Bank any amounts paid to him in accordance with the remuneration policy, if paid on the basis of data found to be erroneous and restated in the Bank's financial statements (in the manner determined by the Remuneration Committee and the Board of Directors). In addition, a key employee may be required, in certain cases, to return variable remuneration paid to him. Variable remuneration is recoverable for a maximum period of 5 years from the date on which it was paid (and for officeholders - for a maximum of 7 years, in certain cases).

f. Description of the different forms of variable remuneration used by the Bank and considerations for using them

Discussion of the ratios considered adequate between the maximum variable remuneration and the fixed remuneration set by the Bank pursuant to Section 13 to Directive 301A.	Pursuant to Directive the varying renumeration in a given year for each of the key employee separately, shall not exceed, in any event, 100% of the fixed remuneration of that key employee during that calendar year. Pursuant to the renumeration policy, the annual varying bonus to officeholders is limited by a ceiling of 9 monthly salaries. Additionally, pursuant to the renumeration policy for key employees (who are not officeholders), the annual varying bonus is limited by a ceiling of 7 monthly salaries for key employees in corporate function positions and up to 9 salaries for key employees in pure field positions (P&L), not including special bonuses. The renumeration policy that applies to all of the Bank employees prescribes that the varying renumeration for each of the employees, shall not exceed, in any event, 85% of the fixed remuneration of that employee during that year.
In exceptional cases, where the Bank has determined that the maximum varying remuneration may exceed 100% of the fixed remuneration - details of the ratios set, the reasons thereto, the affected employees, their position and the impact on the Bank.	As aforementioned, the maximum varying remuneration may not exceed 100% of the fixed remuneration.
Review of the various forms of variable remuneration (e.g., cash, shares, equity-based instruments, etc.).	Pursuant to the renumeration policy, a varying renumeration, including part of the deferred varying annual bonus, may be paid via shares or share-based instruments (such as options).
Discussion of the use of various forms of variable remuneration, and, whether the mix of the various forms of remuneration varies among employees or groups of employees, a description of the factors that determine the mix and their relative weight.	The provision in the renumeration policy, according to which a varying renumeration, including part of the deferred varying annual bonus, may be paid via shares and/or share-based instruments (such as options) applies to officeholders and key employees. The parties setting the manner of payment of the varying renumeration, are the Renumeration Committee and the Board of Directors (as well as the General Meeting, should its approval be required under law).

Remuneration granted during the reporting year (REM1)

			a	b	a	b
			For the year ended December 31			
			2024		2023	
			Senior officeholders(C)	Other key employees	Senior officeholders(C)	Other key employees
	The renumeration amount		In NIS million			
1	Fixed remuneration	Number of employees	17	123	19	120
2		Fixed remuneration amount	31	103	30	97
3		Of which: cash-based	31	103	30	97
4		Of which: deferred	-	-	-	-
5		Of which: shares or other share-based instruments	-	-	-	-
6		Of which: deferred	-	-	-	-
7		Of which: other forms	-	-	-	-
8		Of which: deferred	-	-	-	-
9	Varying remuneration	Number of employees	15	111	16	115
10		Total varying remuneration	13	43	19	38
11		Of which: cash-based	7	35	7	32
12		Of which: deferred	5	7	3	5
13		Of which: shares or other share-based instruments(A)	1	-(b)	9	1
14		Of which: deferred	1	-(b)	9	1
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total renumeration		44	146	49	135

a) The disclosure on the chart in this regard reflects actual granting of share-based instruments during the reporting year (2024) to officeholders and other key employees at the Bank, and therefore does not reflect the accounting record of these instruments in the Bank's financial statements.

b) An amount less than NIS 500 thousand.

c) Who are not directors.

Special payments (REM2)

	For the year ended December 31, 2024					
	Secured bonuses		Bonuses upon signing		Severance pay	
	Number of employees	Total sum in NIS million	Number of employees	Total sum in NIS million	Number of employees	Total sum in NIS million
Senior officeholders(A)	-	-	1	1	-	-
Other key employees	-	-	7	1	1	1

	For the year ended December 31, 2023					
	Secured bonuses		Bonuses upon signing		Severance pay	
	Number of employees	Total sum in NIS million	Number of employees	Total sum in NIS million	Number of employees	Total sum in NIS million
Senior officeholders(A)	-	-	2	1	-	-
Other key employees	-	-	4	1	1	1

a) who are not directors.

Deferred renumeration (REM3)

Deferred renumeration and held renumeration	a	e
	For the year ended December 31, 2024	
	The total outstanding sum of the deferred remuneration	The total sum of the deferred remuneration paid during the reporting year
	In NIS million	
A senior officeholder[(B)]		
Cash	10	2
Shares	-	-
Cash-based instruments	-	-
Other[(a)]	3	2
Other key employees		
Cash	18	4
Shares	-	-
Cash-based instruments	-	-
Other[(a)]	4	3
Total	35	11

Deferred renumeration and held renumeration	a	e
	For the year ended December 31, 2023	
	The total outstanding sum of the deferred remuneration	The total sum of the deferred remuneration paid during the reporting year
	In NIS million	
A senior officeholder[(B)]		
Cash	7	1
Shares	-	-
Cash-based instruments	-	-
Other[(a)]	4	1
Other key employees		
Cash	15	2
Shares	-	-
Cash-based instruments	-	-
Other[(a)]	7	3
Total	33	7

a) Other - in respect of options.
The disclosure on the chart in this regard reflects actual granting of share-based instruments during the reporting year (2024) to office holders and other key employees at the Bank, and therefore does not reflect the accounting record of these instruments in the Bank's financial statements.
A deferred renumeration is a capital renumeration the maturity conditions of which had not yet been met.

b) Who are not directors.

Additional information on renumeration

For further information concerning the renumeration policy, please see Note 22 in the financial statements as at December 31, 2024.
For details concerning renumerations to senior officeholders, please see the Chapter "Senior Officeholders Wages" in a Corporate Governance Report as at December 31, 2024.

Addendum A - Links Between the Financial Statements and Regulatory Exposures

Differences between the accounting consolidation basis and the regulatory consolidation basis and mapping the financial statements in accordance with regulatory risk categories (LI1)

	A+B[(A)]	c	d	e	f	G
	December 31, 2024					
		Ledger balances of items that are:				
	Ledger balances as reported in the financial statements that were published	Subject to a credit risk framework	Subject to a credit risk framework of a counterparty	Subject to a securitization framework	Subject to a market risk framework[(B)]	Not subjected to capital requirements or subjected to a deduction from the capital basis
	In NIS million					
<u>Assets</u>						
Cash and Deposits with Banks	155,828	151,869	3,959	-	-	-
Securities[(C)]	124,101	102,003	11,686	3,982	7,556	-
Securities borrowed or purchased under reverse repurchase agreements	4,684	-	4,684	-	-	-
Loans to the public	462,406	452,533	9,873	-	-	-
Loan loss provision	(6,887)	(6,887)	-	-	-	-
Loans to the public, net	455,519	445,646	9,873	-	-	-
Loans to the government	2,509	2,509	-	-	-	-
Investments in investees	3,580	3,201	-	-	-	379
Buildings and Equipment	2,822	2,822	-	-	-	-
Assets in respect of derivative instruments[(D)]	29,193	-	29,193	-	19,875	-
Other Assets	7,315	7,315	-	-	-	-
Total assets	785,551	715,365	59,395	3,982	27,431	379
<u>Liabilities</u>						
Deposits by the public	618,301	-	-	-	-	618,301
Deposits by Banks	18,043	-	-	-	-	18,043
Deposits by the Israeli Government	172	-	-	-	-	172
Securities loaned or sold under repurchase agreements	11,686	-	-	-	-	11,686
Bonds, Promissory Notes and Subordinated Bonds	31,969	-	-	-	-	31,969
Liabilities for derivative instruments[(D)]	27,752	-	27,752	-	27,613	-
Other Liabilities	15,965	-	-	-	-	15,965
Total liabilities	723,888	-	27,752	-	27,613	696,136

a) The Bank's accounting consolidation basis and the regulatory consolidation basis are identical.
b) The sums do not include balances that were used in calculating foreign currency risks, including structural positions in foreign currency, for these balances please see Note 30 in the financial statements as at December 31, 2024.
c) Securities that were deposited as guarantees for derivative instruments activities in central clearing at clearing house members are subject both to a credit risk framework (due to the risk of the securities issuer) as well as to a credit risk framework of a counterparty (due to the credit risk of the counterparty with which the securities had been deposited as guarantees).
d) Derivative instruments in a trading portfolio are subject to both a market risk framework as well as to a credit risk framework of a counterparty.

	A+B(A)	c	d	e	f	G
	December 31, 2023					
		Ledger balances of items that are:				
	Ledger balances as reported in the financial statements that were published	Subject to a credit risk framework	Subject to a credit risk framework of a counterparty	Subject to a securitization framework	Subject to a market risk framework(B)	Not subjected to capital requirements or subjected to a deduction from the capital basis
	In NIS million					
<u>Assets</u>						
Cash and Deposits with Banks	105,476	103,608	1,868	-	-	-
Securities(C)	160,048	134,739	13,776	4,012	13,677	-
Securities borrowed or purchased under reverse repurchase agreements	3,053	-	3,053	-	-	-
Loans to the public	426,203	414,996	11,207	-	-	-
Loan loss provision	(6,717)	(6,717)	-	-	-	-
Loans to the public, net	419,486	408,279	11,207	-	-	-
Loans to the government	1,806	1,806	-	-	-	-
Investments in associates	4,014	3,371	-	-	-	643
Buildings and Equipment	2,874	2,874	-	-	-	-
Intangible assets and goodwill	-	-	-	-	-	-
Assets in respect of derivative instruments(D)	27,410	-	27,410	-	17,712	-
Other Assets	7,330	7,330	-	-	-	-
Total assets	731,497	662,007	57,314	4,012	31,389	643
<u>Liabilities</u>						
Deposits by the public	567,824	-	-	-	-	567,824
Deposits by Banks	20,776	-	-	-	-	20,776
Deposits by the Israeli Government	160	-	-	-	-	160
Securities loaned or sold under repurchase agreements	13,776	-	-	-	-	13,776
Bonds, promissory notes and subordinated notes	32,114	-	-	-	-	32,114
Liabilities for derivative instruments(D)	26,636	-	26,636	-	26,520	-
Other Liabilities	15,709	-	-	-	-	15,709
Total liabilities	676,995	-	26,636	-	26,520	650,359

a) The Bank's accounting consolidation basis and the regulatory consolidation basis are identical.
b) The sums do not include balances that were used in calculating foreign currency risks, including structural positions in foreign currency, for these balances please see Note 31 in the financial statements as at December 31, 2023.
c) Securities that were deposited as guarantees for derivative instruments activities in central clearing at clearing house members are subject both to a credit risk framework (due to the risk of the securities issuer) as well as to a credit risk framework of a counterparty (due to the credit risk of the counterparty with which the securities had been deposited as guarantees).
d) Derivative instruments in a trading portfolio are subject to both a market risk framework as well as to a credit risk framework of a counterparty.

The link between the balance sheet and the regulatory capital components (CC2)

	December 31		References to components of regulatory capital
	2024	2023	
	In NIS million		
Assets			
Cash and Deposits with Banks	155,828	105,476	-
Securities[1]	124,101	160,048	-
Of which: Investments in equity of financial corporations which do not exceed 10% of the financial corporation's equity capital[1]	1,349	1,059	14
Of which: other securities[1]	122,752	158,989	-
Loans to the public	462,406	426,203	-
Allowance for loan losses[1]	(6,887)	(6,717)	-
Of which: General loan loss provision included in Tier 2[1,2]	(5,778)	(5,330)	12
Of which: allowance for loan losses not included in regulatory capital[1]	(1,109)	(135)	-
Loans to the public, net	455,519	419,486	-
Loans to Governments	2,509	1,806	-
Investments in investee companies[1]	3,580	4,014	-
Of which: investments in the capital of financial corporations exceeding 10% of the financial corporation's equity capital	1,796	2,117	15
Of which: goodwill[1]	379	643	6
Buildings and Equipment	2,822	2,874	-
Other assets[1]	7,315	7,330	-
Of which: deferred tax assets[12]	5,932	5,869	-
Of which: deferred tax assets excluding those attributed to timing differences[2]	-	-	8
[2]Of which: deferred taxes attributed to timing differences, the total sum of which exceeds 10% of Common Equity Tier 1 capital	-	605	10
[2]Of which: deferred taxes attributed to timing differences, the total sum of which does not exceed 10% of Common Equity Tier 1 capital	6,126	5,383	16
[2]Of which: other deferred tax assets pursuant to the transitional provisions, a streamlining plan and average curve	(194)	(119)	13
Of which: other assets[1]	1,383	1,461	-
Of which: goodwill[1]	-	-	6
Securities borrowed or purchased under reverse repurchase agreements	4,684	3,053	-
Assets in respect of derivatives	29,193	27,410	-
Total assets	785,551	731,497	-

	December 31		References to components of regulatory capital
	2024	2023	
	In NIS million		
Liabilities and equity			
Deposits by the public	618,301	567,824	-
Deposits by Banks	18,043	20,776	-
Deposits by governments	172	160	-
Bonds and subordinated notes[1]	31,969	32,114	-
[1]Of which subordinated notes not recognized as regulatory capital	24,375	23,303	-
Of which: subordinated notes recognized as regulatory capital[2]	7,594	8,811	-
Of which: eligible as regulatory capital components[2]	7,594	8,811	11a
Of which: eligible as regulatory capital components and subject to transitional provisions[2]	-	-	11
Other liabilities[1]	15,965	15,709	-
Of which: General loan loss provision included in Tier 2[1,2]	792	706	12
Securities loaned or sold under reverse repurchase agreements	11,686	13,776	-
Liabilities in respect of derivative instruments[1]	27,752	26,636	-
Of which: in respect of credit risk1	16	16	9
Total liabilities	723,888	676,995	-
Non-controlling interests[1]	5	5	-
Of which: non-controlling interests attributable to Common Equity Tier 1 Capital[1]	-	-	4
Of which: non-controlling interests attributable to Tier 2 Capital[1]	-	-	5
Total capital attributed to shareholders of the banking corporation[1]	61,658	54,497	-
Of which: ordinary share capital[1]	7,092	7,111	1
Of which: premium for ordinary shares[1]	1,590	2,250	1
Of which: retained earnings[1]	54,949	47,720	2
Of which: Unrealized gains (losses) from adjustment of securities available for sale at fair value[1]	(1,332)	(1,515)	3
Of which: net losses from adjustments from translation of financial statements [1]	(9)	(7)	3
[1]Of which: other funds	108	85	3
Of which: gains (losses) from adjustments in respect of employee benefits included in regulatory capital [1]	(740)	(1,147)	3
Total shareholders' equity	61,663	54,502	-
Total liabilities and equity	785,551	731,497	-

The main sources of the differences between the regulatory exposure sums and the ledger balances in the financial statements (LI2)

		a	b	c	d	e
		December 31, 2024				
			Items to which the following applies:			
		Total	Credit risk framework	Securitization framework	Credit risk framework of a counterparty	Market risk framework
		In NIS million				
1	The sum of the ledger balance of the assets pursuant to the regulatory consolidated basis (according to disclosure format 1LI)	785,172	715,365	3,982	59,395	27,431
2	The sum of the ledger balance of the liabilities pursuant to the regulatory consolidated basis (according to disclosure format 1LI)	27,752	-	-	27,752	27,613
3	Total net amount pursuant to the regulatory consolidated basis	757,420	715,365	3,982	31,643	(182)
4	Off-balance-sheet amounts(D)	250,041	77,421	-	26,384	-
5	Differences established due to differences in the off-setting rules, except for those that had already been included in line 2(A)	(18,871)	-	-	(18,871)	-
6	Differences established due to provisions(B)	7,067	7,067	-	-	-
7	Other adjustments(A)	5,813	803	-	-	5,010
8	Amounts of disclosures taken into account for regulatory purposes	1,001,470	800,656(E)	3,982	39,156	4,828

		a	b	c	d	e
		December 31, 2023				
			Items to which the following applies:			
		Total	Credit risk framework	Securitization framework	Credit risk framework of a counterparty	Market risk framework
		In NIS million				
1	The sum of the ledger balance of the assets pursuant to the regulatory consolidated basis (according to disclosure format 1LI)	730,854	662,007	4,012	57,314	31,389
2	The sum of the ledger balance of the liabilities pursuant to the regulatory consolidated basis (according to disclosure format 1LI)	26,636	-	-	26,636	26,520
3	Total net amount pursuant to the regulatory consolidated basis	704,218	662,007	4,012	30,678	4,869
4	Off-balance-sheet amounts(D)	217,165	70,550	-	17,566	-
5	Differences established due to differences in the off-setting rules, except for those that had already been included in line 2(A)	(20,465)	-	-	(20,465)	-
6	Differences established due to provisions(B)	6,582	6,582	-	-	-
7	Other adjustments(A)	10,006	154	-	-	9,852
8	Amounts of disclosures taken into account for regulatory purposes	917,506	739,293(E)	4,012	27,779	14,721

Clarifications regarding the differences between the sums of the accounting exposure and the sums of the regulatory exposure (LIA):

a) For regulatory purposes the Bank uses a netting set in derivative transactions, pursuant to Appendix C to the Proper Conduct of Banking Businesses Directive No. 203, as there are valid bipartite accounting agreements. In presenting the derivative balances on the balance sheet, offsetting is not carried out.

b) Pursuant to the provisions of Proper Conduct of Banking Businesses Directive No. 203, the Group provision that was included in Common Equity Tier 2 is not deducted from the exposures to the calculation of the credit risk.

c) Offsets between the positions in the trading portfolio and application of coefficients in accordance with the duration method under Proper Conduct of Banking Businesses Directive No. 208, as well as adjustments due to deferred taxes and the streamlining plan.

d) Adding off-balance sheet items that constitute a credit risk (business lines and guarantees), including future potential exposure components due to fluctuations of derivative instruments.

e) The gap in the sums of exposures for regulatory purposes in credit stems mainly from sums weighted at 250%, which are included in LI2 and are not included in CR4.

Addendum B - Securitization

Securitization exposures (SECA)

The Bank's securitization exposures, in accordance with the capital adequacy provisions, stem mainly from an investment in the nostro portfolio.

Asset-backed securities are characterized by wide diversification of borrowers. In some instruments, there are several risk layers, which allow the Bank to be flexible when adapting an investment to its risk appetite.

Most of the Bank's investments in securitized products are fully or implied guaranteed by the United States government. in 2024 the Bank had not invested in synthetic products or re-securitization.

As a rule, in investment in securitized products there is preference to management through the banking portfolio.

The risk management in the securitized products is conducted while ongoing follow-up of the development of the risk indicators and examination of meeting the restrictions and stress scenarios. The follow-up is conducted at dedicated monitoring and risk management units, independently of the risk. In addition, dedicated periodic discussions are held, which focus on the overall risk picture of the securitized products, as the relevant parties both from the first defense line as well as from the second defense line are participants.

For further information, please see Note 12 to the financial statements as of December 31, 2024.

Description of the securitization exposures

Securitization exposures in the banking portfolio[(A)] (SEC1)

		a	b	c	e	f	G	I	j	(K)
		December 31, 2024								
		The banking corporation acts as a developer			The banking corporation acts as a financer			The banking corporation acts as an investor		
		Traditional	Synthetic	Interim summary	Traditional	Synthetic	Interim summary	Traditional	Synthetic	Interim summary
		In NIS million								
1	Retail (total), of which:	-	-	-	-	-	-	13,530	-	13,530
2	Housing mortgages	-	-	-	-	-	-	13,091	-	13,091
3	Credit cards	-	-	-	-	-	-	-	-	-
4	Other retail exposures	-	-	-	-	-	-	439	-	439
6	Wholesale (total), of which:	-	-	-	-	-	-	4,208	-	4,208
7	Loans to corporations	-	-	-	-	-	-	4,208	-	4,208
8	Commercial mortgages	-	-	-	-	-	-	-	-	-
11	Re-securitization	-	-	-	-	-	-	-	-	-

		a	b	c	e	f	G	I	j	(K)
		December 31, 2023								
		The banking corporation acts as a developer			The banking corporation acts as a financer			The banking corporation acts as an investor		
		Traditional	Synthetic	Interim summary	Traditional	Synthetic	Interim summary	Traditional	Synthetic	Interim summary
		In NIS million								
1	Retail (total), of which:	-	-	-	-	-	-	11,182	-	11,182
2	Housing mortgages	-	-	-	-	-	-	10,823	-	10,823
3	Credit cards	-	-	-	-	-	-	-	-	-
4	Other retail exposures	-	-	-	-	-	-	359	-	359
6	Wholesale (total), of which:	-	-	-	-	-	-	4,361	-	4,361
7	Loans to corporations	-	-	-	-	-	-	4,361	-	4,361
8	Commercial mortgages	-	-	-	-	-	-	-	-	-
11	Re-securitization	-	-	-	-	-	-	-	-	-

a) The balances in the disclosure reflect the credit exposure (EAD) after the provisions for credit losses or impartments of a nature other than temporary, and before the effect of other credit risk deductions.

Securitization exposures in the trading portfolio (SEC2)

		a	b	c	e	f	G	I	j	(K)
		December 31, 2024								
		The banking corporation acts as a developer			The banking corporation acts as a financer			The banking corporation acts as an investor		
		Traditional	Synthetic	Interim summary	Traditional	Synthetic	Interim summary	Traditional	Synthetic	Interim summary
		In NIS million								
1	Retail (total), of which:	-	-	-	-	-	-	12	-	12
2	Housing mortgages	-	-	-	-	-	-	6	-	6
3	Credit cards	-	-	-	-	-	-	-	-	-
4	Other retail exposures	-	-	-	-	-	-	6	-	6
6	Wholesale (total), of which:	-	-	-	-	-	-	-	-	-
7	Loans to corporations	-	-	-	-	-	-	-	-	-

		a	b	c	e	f	G	I	j	(K)
		December 31, 2023								
		The banking corporation acts as a developer			The banking corporation acts as a financer			The banking corporation acts as an investor		
		Traditional	Synthetic	Interim summary	Traditional	Synthetic	Interim summary	Traditional	Synthetic	Interim summary
		In NIS million								
1	Retail (total), of which:	-	-	-	-	-	-	25	-	25
2	Housing mortgages	-	-	-	-	-	-	20	-	20
3	Credit cards	-	-	-	-	-	-	-	-	-
4	Other retail exposures	-	-	-	-	-	-	5	-	5
6	Wholesale (total), of which:	-	-	-	-	-	-	-	-	-
7	Loans to corporations	-	-	-	-	-	-	-	-	-

Calculation of the capital requirements

Securitization exposures in the banking portfolio and the capital requirements associated with them - a banking corporation acting as a developer or financer (SEC3)

As at December 3, 2024, and as at December 31, 2023, the Bank is not involved in asset securitization activities, both as a developer as well as a financer for other entities.

Securitization exposures in the banking portfolio and the capital requirements associated with them - a banking corporation acting as an investor (SEC4)

		a	b	c	d	e	h	I	L	13	P	Q
		December 31, 2024										
		Exposure values according to RW rate(A)					Exposure values according to the regulatory approach		RWA according to the regulatory approach		Allocation of capital after implementation of the ceiling	
		Up to 20%	20-50%	50-100%	100-1250%	1250%	SA/SSF A	1250%	SA/SSF A	1250%	SA/SSF A	1250%
		In NIS million										
1	Total exposures	**3,650**	**281**	**51**	-	-	**3,982**	-	**922**	-	**115**	-
2	Traditional securitization[1]	**3,650**	**281**	**51**	-	-	**3,982**	-	**922**	-	**115**	-
3	[1]Of which: securitization[2]	**3,650**	**281**	**51**	-	-	**3,982**	-	**922**	-	**115**	-
4	[2] Of which: a retail basis	**631**	**189**	**11**	-	-	**831**	-	**232**	-	**29**	-
5	Of which: wholesale	**3,019**	**92**	**40**	-	-	**3,151**	-	**690**	-	**86**	-
6	[1]Of which: re-securitization[2]	-	-	-	-	-	-	-	-	-	-	-
7	[2]Of which: senior	-	-	-	-	-	-	-	-	-	-	-

		a	b	c	d	e	h	I	L	13	P	Q
		December 31, 2023										
		Exposure values according to RW rate(A)					Exposure values according to the regulatory approach		RWA according to the regulatory approach		Allocation of capital after implementation of the ceiling	
		Up to 20%	20-50%	50-100%	100-1250%	1250%	SA/SSF A	1250%	SA/SSF A	1250%	SA/SSF A	1250%
		In NIS million										
1	Total exposures	3,681	259	72	-	-	4,012	-	938	-	117	-
2	Traditional securitization[1]	3,681	259	72	-	-	4,012	-	938	-	117	-
3	[1]Of which: securitization[2]	3,681	259	72	-	-	4,012	-	938	-	117	-
4	[2] Of which: a retail basis	493	168	15	-	-	676	-	198	-	25	-
5	Of which: wholesale	3,188	91	57	-	-	3,336	-	740	-	93	-
6	[1]Of which: re-securitization[2]	-	-	-	-	-	-	-	-	-	-	-
7	[2]Of which: senior	-	-	-	-	-	-	-	-	-	-	-

a) The balances in the disclosure reflect the credit exposure (EAD) after the provisions for credit losses or impartments of a nature other than temporary, and before the effect of other credit risk deductions, including guarantees.

Legend

KM	Key Metrics
OV	Overview
CC	Capital Composition
LR	Leverage Ratio
CR	Credit Risk
CCR	Counterparty Credit Risk
MR	Market Risk
LIQ	Liquidity
REM	Remuneration
LI	Linkages
SEC	Securitization