BANK LEUMI LE-ISRAEL B.M.
AND ITS INVESTEE COMPANIES

Condensed Financial Statements
As at March 31 2022
(Unaudited)

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Report of the Board of Directors and Management

The Report of the Board of Directors and Management was prepared in accordance with the Reporting to the Public Directives of the Banking Supervision Department. The principles applied to the preparation of the interim financial statements are consistent with those applied to the Annual Financial Statements as at December 31 2021. The statements herein should be read in conjunction with the 2021 Annual Financial Statements.

Condensed Financial Information and Key Performance Indicators

Following are the key performance indicators (in %)

	For the three months ended March 31		For the year ended December 31
	2022[(i)]	2021	2021
Return on net income attributable to the Bank's shareholders to equity[(c)(d)]	**15.6**	14.2	15.0
Return on net income attributable to the Bank's shareholders to average assets[(c)(f)]	**1.0**	1.0	1.0
Ratio of income[(b)] to average assets[(c)(d)(f)]	**2.35**	2.69	2.70
Efficiency ratio	**46.6**	49.4	46.8
Ratio of net interest income to average assets[(c)(e)]	**1.77**	1.70	1.76
Ratio of fees and commissions to average assets[(c)(d)(f)]	**0.57**	0.63	0.60
Rate of tax provision from profit, before taxes	**23.1**	35.9	35.4
Net interest income to average balance of interest-bearing assets (NIM)[(c)]	**1.96**	1.90	1.95
Total income to total average assets under management by the Group[(b)(c)(d)(f)]	**0.72**	0.84	0.83
Total operating and other expenses to average total assets under management by the Group[(c)(d)(f)]	**0.33**	0.42	0.39

	As at March 31		As at December 31
	2022	2021	2021
Common Equity Tier 1 ratio[(n)]	**10.78**	11.73	11.50
Ratio of total capital to risk-weighted assets[(a)(n)]	**13.54**	14.73	14.21
Leverage ratio[(h)]	**5.91**	6.60	6.06
Liquidity coverage ratio[(g)]	**120**	130	124
Net stable funding ratio[(j)]	**127**		131
Equity attributable to the Bank's shareholders to total assets	**6.3**	6.9	6.3

Key credit quality indicators (in %)

	For the three months ended March 31		For the year ended December 31
	2022[(i)]	2021	2021
Loan loss income out of the average outstanding balance of loans to the public[(c)(m)]	**(0.04)**	(0.28)	(0.25)
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.36**	1.66	1.30
Percentage of non-performing[(k)] loans to the public or in arrears of 90 days or more out of outstanding loans to the public	**0.78**	1.28	1.02
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public[(c)]	**-**[(l)]	(0.16)	(0.03)

Please see notes below.

(a) Equity - including non-controlling interests and various adjustments.
(b) Total income - net interest income and noninterest income.
(c) Annualized.
(d) As of January 1 2022, the Bank is applying the revised disclosure requirements of the Banking Supervision Department regarding presenting the rate of return on equity and income and expense rates; under the revision, the presentation method of the quarterly rate of return on equity and of income and expense rates was revised to annualized terms, as is the method in US banks. Accordingly, the Bank translated the quarterly ratios to annualized terms and multiplied it by four, in lieu of exponentiation according to the previous presentation method. According to the circular's provisions, the Bank reclassified the comparative figures of rate of return on equity and income and expense rates relating to the previous quarterly periods presented in this report consistently with the new presentation method. The return on equity as published in the financial statements as at March 31 2021 is 15.0 percent. The effect of changing the presentation method of the income and expense rates is immaterial. In addition, the Bank reclassified additional performance indicators calculated on an annualized basis, in order to apply a consistent presentation method.
(e) Including off-balance-sheet operations.
(f) Average assets are the total assets - income-generating and others. For more information, please see Appendix 1 - Income and Expenditure Rates and Analysis of Changes in Interest Income and Expenses.
(g) For more information regarding the liquidity coverage ratio, please see section entitled "Risk Exposure and Management Thereof".
(h) For more information regarding the leverage ratio, please see "Equity and Capital Adequacy" under "Structure and Development of Assets, Liabilities, Equity and Capital Adequacy".
(i) Including balances classified as held-for-sale assets and liabilities. For more information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.
(j) Net stable funding ration (NSFR) calculated as of the financial statements as at December 31 2021. For more information, please see the Liquidity Risk.
(k) For more information regarding the revision of the accounting policy on identifying and classifying non-performing debts (in lieu of impaired debts), please see Note 1.B.1.
(l) Rate of less than 0.01 percent.
(m) As of January 1 2022, the Bank applies for the first time Reporting to the Public Directives regarding expected loan losses; for more information, please see Note 1.B.1. On first-time application, the accumulated effect was recorded net of tax in retained earnings, without adjusting comparative results.
(n) In this context, it should be mentioned that the Bank believes that the merger with Valley will improve the capital ratios by 0.5 percent. Most of the improvement will be reflected on April 1 2022, once the merger will have been completed.
For additional details, including expected regulatory changes regarding measuring capital adequacy, please see the section entitled "Equity and Capital Adequacy".

Main income statement data

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	In NIS million		
Net income attributable to the Bank's shareholders	**1,609**	1,340	6,028
Interest Income, Net	**2,899**	2,348	10,346
Loan loss income	**40**	212	812
Noninterest Income	**950**	1,374	5,511
Of which: fees and commissions	**930**	868	3,506
Total operating and other expenses	**1,794**	1,839	7,428
Of which: salaries and related expenses	**1,005**	1,078	4,242
Net earnings per share attributable to the Bank's shareholders (in NIS):			
Basic diluted net income	**1.11**	0.92	4.15

Main balance sheet data

	As at March 31		As at December 31
	2022[(a)]	2021	2021
	In NIS million		
Total assets	**669,431**	565,934	656,454
Of which: cash and deposits with banks	**166,227**	139,979	197,402
Securities	**98,791**	87,685	86,927
Loans to the public, net	**368,690**	307,561	342,879
Total liabilities	**626,570**	526,379	614,402
Of which: deposits by the public	**539,247**	460,412	537,269
Deposits by banks	**26,570**	17,178	25,370
Bonds, promissory notes and subordinated bonds	**21,459**	13,108	15,428
Equity attributable to the Bank's shareholders	**42,433**	39,118	41,610
Additional data:			
Price per share (in NIS)	**27.5**	22.0	33.5
Dividend per share (in agorot)[(b)]	**40.48**	-	137.48

(a) Including balances classified as held-for-sale assets and liabilities. For more information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.

(b) According to the declaration date.

Forward-Looking Information in the Report of the Board of Directors and Management

The Report of the Board of Directors and Management includes, in addition to data relating to the past, information and assessments relating to the future, defined in the Securities Law, 1968 (hereinafter: the "Law") 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 Report of the Board of Directors and Management 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 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 risks 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.

Trends, Phenomena, Developments and Material Changes

Main Developments in the Israeli Economy[1]

General Background - the Coronavirus Pandemic

In early 2022, the fifth surge of morbidity reached a peak, characterized by rapid and high infection rates among Israelis as well as worldwide. The surge culminated at the end of January; since then, the virus has been subsiding and as of the report's publication date, restrictions on economic activity - including removal of masks - have been revoked, except in a few interior spaces. The Bank of Israel believes that, as of April 2022, the Israeli economy is resilient, after having almost completely reversed the impacts of the pandemic.

As of shortly prior to the report's publication date, more than 4 million Israelis have contracted the virus, and more than 10,650 have died. In December 2020, Israel began to vaccinate its population, and more than 6.7 million people (near the report's publication date) have been given the first dose, with approximately 6.1 million people having been given the second dose. On the back of a surge in morbidity in the third quarter of 2021, it was decided to administer a third dose of the vaccine. Near the Report's publication date, more than 4.4 million people have been given this third dose. Due to the spread of the Omicron variant, which brought about the fifth surge, it was decided to offer a fourth jab to certain sections of the population; near the report's publication date, approximately 0.8 million residents were inoculated for the fourth time.

The Global Economy

On April 19 2022, the International Monetary Fund (IMF) revised its global growth forecasts for 2022. Compared with the prior forecast from January 2022, there was a significant (downward) change in the IMF's growth forecasts, mainly on the back of the war between Russia and Ukraine. Moreover, the lockdowns in China - imposed in an attempt to prevent another outbreak of the pandemic - have compounded the economic slowdown in the country, creating new bottlenecks in supply chains across the world. All of these factors have accelerated price increases in many world countries, which appears to be wide-ranging rather than short-term as was recently predicted. Therefore, many central banks have initiated a tightening monetary policy.

According to the current growth forecasts, the gross world product is expected to grow at a rate of 3.6 percent in 2022, approximately 0.8 percentage points less than a previous forecast published in January 2022. As for the major western economies - the US economy is expected to grow by 3.7 percent (a 0.3 percentage point reduction), with the Euro Zone is expected to grow by 2.8 percent (a 1.1 percentage point reduction), mostly on the back of the Russia-Ukraine war, which affects rising energy prices and, as a result - casts a shadow on industry-intensive countries such as Germany and Italy.

When comparing the global growth forecast of the IMF in 2022 to an earlier comprehensive forecast from October 2021, the change is even more significant: 3.6 percent in the current forecast compared to 4.9 percent in the October 2021 forecast. It should be noted that a similar comparison in respect to the Israeli economy shows an upward revision in the growth forecast for 2022: from 4.1 percent in October 2021 to 5.0 percent in the current forecast, close to the Bank of Israel's forecast - 5.5 percent.

1 Data sources: publications by the Central Bureau of Statistics, Bank of Israel, Ministry of Finance, Tel Aviv Stock Exchange, the IMF.

Global growth/real change rate
Source: IMF - World Economic Outlook - April 2022

	2022	2021
World	**3.6%**	6.1%
USA	**3.7%**	5.7%
Eurozone	**2.8%**	5.3%
Japan	**2.4%**	1.6%
UK	**3.7%**	7.4%
China	**4.4%**	8.1%

The rising inflation in many countries - to rates unseen for many years - is partially explained by aggregate excess demand, on the back of economic recovery following the pandemic and government support, with emphasis on the labor market and due to restrictions, which exacerbated the situation on the demand side. As a result, many central banks - led by the US Federal Reserve - began to raise interest rates. In March 2022, the Federal Reserve's Open Market Committee decided to raise the interest rate short-term to a range of 0.25-0.50 percent, with its members predicting that, by the end of the year, the interest rate will have reached 1.9 percent (compared to 0.9 percent in the previous December 2021 forecast). In May, the interest rate was raised to 0.75-1.0 percent. The Bank of England also continued the process of raising the interest rate, which began in December 2021; as of May 2022, it stands at 1.0 percent. This is also the case in many central banks, including the Bank of Israel, which began raising the interest rate in April.

In late February 2022, a war broke out between Russia and Ukraine, which is continuing at this time. Due to the characteristics of the commercial relations between these countries and Israel, the direct effect may be limited to a few industries which have production operations in Ukraine and Russia and/or which may have major customers in these countries. Most of the effects are expected to be indirect, as a result of global processes, such as lower global growth rates - as forecast by the IMF - in addition to a sharp increase in the prices of commodities imported into Israel (such as food) and the sharp increase in energy prices around the world. In addition, the growing uncertainty is adversely affecting financial markets globally as well as asset values and - as a result –households and businesses in Israel.

Growth in the Israeli Economy

The GDP was down 1.6 percent in the fourth quarter of 2022, annualized, compared to the previous quarter, after an unusual increase of an annualized 15.6 percent in the fourth quarter of 2021. The decline in GDP in the fourth quarter of the year is an adjustment to the unusual increase in the fourth quarter of 2021, so that the GDP level in the first quarter of 2022 is still 9.0 percent higher than the first quarter of 2021. The decline in GDP in the first quarter is partially a technical result of a hike in imports, inter alia to renew inventories, as well as due to a marked increase in the consumption of services, primarily of tourism services.

Labor market data continued to reflect an improvement in economic activity. The unemployment rate, under the ordinary definition (unemployed), was 3.4 percent in March 2022. The unemployment rate under the "broad" definition (which includes not only unemployed individuals but also employees who are temporarily absent from the work force due to the coronavirus, as well as employees who do not participate in the workforce and have been terminated as of March 2020) - which has been published by the Bureau of Statistics since the onset of the pandemic - continued to decline in the first quarter of the year. In March 2022, approximately 211 thousand workers (approximately 4.8 percent of the work force) meet the broad definition of unemployment. This, versus 262 thousand workers (approximately 6.0 percent of the work force) in December 2021.

The State Budget and its Funding

In the first three months of the year, there was a NIS 23.4 billion surplus in the state budget, compared with a NIS 23.3 billion deficit in the corresponding period in 2021. In the past 12 months ended in March 2022, the deficit amounted to 1.4 percent of GDP (approximately NIS 22 billion); according to the original 2022 budget, the deficit is expected to amount to 3.9 percent of GDP. The decline in the deficit compared with the corresponding quarter in 2021 stems from a marked increase in state revenues and a decline in government spending on the back of reducing the expenses for financial support due to the crisis. The higher revenues are explained by the substantial market activity, which appears to have adjusted to working during the pandemic. The accelerated economic activity produced substantial tax revenues - both directly and indirectly.

Exports and Service Export Data

Israel's trade deficit reached USD 10.4 billion in the first quarter of the year, compared with USD 7.5 billion in the corresponding period last year. The increase in deficit stems from a quicker expansion of imports compared with the increase in exports. The increase in imports is reflected across all its key components, but also reflects the effect of price increases. These trends reflect the continued expansion of economic activity, which seemed to have assumed its pre-pandemic growth trajectory.

The service export data for the first months of the year indicate continued expansion compared with the corresponding period last year. This with emphasis on business service exports, most of which relating to the high-tech industries.

Exchange Rate and Foreign Exchange Reserves

In the first three months of the year, the shekel depreciated against the US dollar by 2.1 percent, and depreciated 0.1 percent against the euro; a 0.6 percent depreciation was recorded against the currency basket. The depreciation is partially explained by the raising of interest rates by the Fed and the outbreak of the Russia-Ukraine war, which have caused higher demand for currencies perceived as global “anchors” in terms of the risk level embodied therein. At the end of March 2022, the Bank of Israel's foreign exchange reserves stood at USD 206.1 billion compared to USD 213.0 billion as at the end of December 2021. The decrease in balances is mainly explained by revaluation. During this period, the Bank of Israel purchased foreign currency in the amount of USD 0.4 billion.

Inflation and Monetary Policy

The “in lieu” consumer price index (CPI) was up 1.5 percent in the first quarter and 3.5 percent in the 12 months ending in March 2022 - a deviation from the price stability target range (1-3 percent). The CPI, net of energy prices, was up 1.1. percent and 3.1 percent, respectively. Such deviation from the price stability target is also characteristic of other western countries, where inflation indicators are higher than the targets of their central banks. The main explanations for the rapid pace of increase is higher demand in the economy (some of which was pent up) due to the full reopening of, and improvement in, the labor market in addition to greater global trends of higher raw material and transport prices (“supply effects”), particularly in food and energy prices, on the back of the Russia-Ukraine war, but also due to bottlenecks in the supply chains across the world and particularly in China.

The “known” Consumer Price Index was up 1.2 percent in the first quarter of the year.

During the first quarter of the year, there was no change in the Bank of Israel interest rate, which was 0.1 percent, similar to its level in April 2020.

On April 11 2022, the Monetary Committee decided to raise the interest rate by 0.25 percentage points - to 0.35 percent. According to the Committee, the Israeli economy boasts robust economic activity, alongside a tight labor market, with an increase in the inflation environment. Therefore, the Committee decided that conditions allow the beginning of a gradual process of increasing the interest rate. The pace of raising the interest rate will be determined by the activity indicators and inflationary development, in order to continue to support the policy targets.

Israel’s Capital Market

The Shares and Convertible Securities Index was up 1.6 percent during the first quarter of the year, following a 30.9 percent increase in 2021. The higher share prices were impacted, on the one hand, by the publication of positive data on the Israeli economy and on the other hand - by external factors, such as the Russia-Ukraine war and the continued effect of morbidity surges on supply chains across the world, the higher inflation as well as the interest rate increase by central banks around the world.

The average daily trade volume of shares and convertible securities in the first quarter of 2022 totaled NIS 2.596 billion, an increase of 38.2 percent over the average level in 2021.

The government bonds market in the first quarter of 2022 was affected by an increase in inflation which brought about expectations for an interest rate increase in Israel, similarly to the situation in bond markets in other developed countries. The CPI-Linked Government Bond Index was down 3.9 percent in the first quarter of the year, while the Unlinked Government Bond Index was down 4.5 percent. Most of the decreases were in long-and mid-duration bonds.

Impact of the Coronavirus Crisis and of the Russia-Ukraine Crisis

The coronavirus pandemic is characterized by morbidity surges; in early 2022, the fifth surge of morbidity began, featuring quick contraction and causing widespread morbidity in the Israeli population, as well as worldwide, primarily in China, which implemented a policy of strict lockdowns with a "zero Covid" target. The strict restrictions in China harm its ongoing economic activity, creating delays in the global supply chain. The world is thus still exposed to the economic risks arising from the coronavirus restrictions, in addition to other economic risks, such as those arising from the Russia-Ukraine war.

In some leading world countries, the vaccination process, including administering booster shots, was relatively successful, which has contributed to the lifting of restrictions. While improving the capabilities of "living with the coronavirus", and due to the global economic impacts of the Russia-Ukraine war, inflation rates were up across the world, and central banks began restricting the use of easing measures and raising interest rates. As a result, the monetary easing - which was aimed at supporting high-morbidity economies - was toned down and financial conditions were tightened. This applies to fiscal support, which was significantly reduced.

The Bank continued to regularly monitor and follow up on risk focal points and market developments.

For more information, please see under "Credit Risks, Market Risks and Operational Risks" later in this Report.

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

Main Changes in the Reporting Period

Bank Leumi USA

On September 23, 2021, BLC, a US-incorporated corporation (85 percent of which is held by the Bank), which wholly owns BLUSA, entered into a merger agreement with Valley. On April 1 2022, the merger transaction was completed.

For information on the transaction, please see the section entitled “Major Investee Companies”.

Following is the consolidated income statement, presenting BLUSA's[(a)(b)] results in a separate line

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	In NIS million		
Interest income	**3,156**	2,413	10,863
Interest expense	**457**	256	1,298
Interest Income, Net	**2,699**	2,157	9,565
Loan loss income	**55**	229	842
Interest income, net after loan loss income	**2,754**	2,386	10,407
Noninterest income			
Noninterest finance income (expenses)	**(6)**	433	1,694
Fees and Commissions	**882**	824	3,335
Other income	**5**	63	281
Total noninterest income	**881**	1,320	5,310
Operating and other expenses			
Salaries and related expenses	**912**	984	3,861
Buildings and equipment - maintenance and depreciation	**330**	339	1,392
Other expenses	**394**	364	1,558
Total operating and other expenses	**1,636**	1,687	6,811
Profit before taxes	**1,999**	2,019	8,906
Provision for profit tax	**456**	734	3,188
Profit after taxes	**1,543**	1,285	5,718
The banking corporation's share in associates’ profits, after tax	66	**55**	**310**
Of which: The banking corporation's share in BLUSA’s profits[(b)]	60	48	218
Before attribution to owners of non-controlling interests	**1,609**	1,340	6,028
Attributable to non-controlling interests	-	-	-
Attributable to the Bank's shareholders	**1,609**	1,340	6,028

(a) Excluding offsetting of inter-company transactions between the Bank and Leumi USA.
(b) Bank Leumi USA includes the operating results of BLC and BLUSA.

As a result of the merger, a profit of NIS 645 million, net of tax, will be recorded. Out of the said amount, a total of NIS 194 million was recorded in the quarter, and the balance will be recorded in the second quarter. The profit in this quarter stems primarily from the sale of BLUSA, for a total of NIS 174 million, and an income of NIS 20 million from derivatives activity, for economic hedging of the transaction.

The Bank believes that the transaction will improve the capital ratios by 0.5 percent. Most of the improvement will be reflected on April 1 2022, once the merger has been completed.

Following is the consolidated balance sheet, presenting BLUSA's[(a)(b)] balances in a separate line

	March 31		December 31
	2022	2021	2021
	In NIS million		
Assets			
Cash and deposits with banks	165,047	138,009	195,722
Securities	94,360	81,627	81,778
Loans to the public	354,578	294,645	329,201
Loan loss provision	(4,803)	(4,902)	(4,245)
Loans to the public, net	349,775	289,743	324,956
Loans to governments	1,153	749	940
Investments in associates	1,027	790	1,113
Buildings and equipment	2,640	2,711	2,618
Assets for derivatives	19,997	12,954	13,953
Other assets	6,727	7,242	6,935
Securities borrowed or purchased under reverse repurchase agreements	2,882	4,630	2,447
Investment in subsidiary BLUSA	2,267	2,328	2,340
Total assets	645,875	540,783	632,802
Liabilities and capital			
Deposits by the public	516,711	436,618	514,968
Deposits by banks	26,651	17,227	25,370
Deposits by Governments	316	218	299
Securities loaned or sold under repurchase agreements	2,055	278	2,046
Bonds, promissory notes and subordinated bonds	21,459	13,108	15,428
Liabilities for derivatives	20,445	13,165	15,475
Other liabilities	15,800	21,046	17,601
Total liabilities	603,437	501,660	591,187
Non-controlling interests	5	5	5
Capital attributable to the banking corporations' shareholders	42,433	39,118	41,610
Total capital	42,438	39,123	41,615
Total liabilities and capital	645,875	540,783	632,802

(a) Excluding offsetting of inter-company transactions between the Bank and Leumi USA.
(b) Bank Leumi USA includes the operating results of BLC and BLUSA.

Sale of Beit Mani

Following on that stated in the Bank’s 2021 Annual Financial Statements regarding to offer to bid for the purchase of the property located at Yehuda Halevi Street in Tel Aviv (Beit Mani), on April 26 2022, the bid submitted by Sela Capital Real Estate Ltd. won. On May 18 2022, after the approval of the Bank's competent organs, the sales agreement was signed.

For the purchase of Beit Mani, NIS 623 million will be paid to the Bank, with the addition of VAT. The pre-tax capital gain for the Bank is expected to be NIS 524 million, which will be recorded in the Bank’s financial statements on the date in which management and the staff units will relocate to Lod, which is expected to take place in the second half of 2023.

The said sale transaction is another step in the Bank’s plan to relocate its staff units and management to Leumi’s Lod compound.

Cooperation Agreement with Paxos

During April, the Bank signed a cooperation agreement with US-based Paxos Trust Company LLC which will allow the Bank - for the first time in Israel (and among the first worldwide) - to offer its customers to buy, hold and sell cryptographic currencies (hereinafter - “crypto”).

Paxos is a pioneer in creating solutions for managing digital assets for leading companies around the world. The company, which was founded in 2012, holds licenses from US regulators and is a regulated company. The company has dozens of customers and strategic investors, such as PayPal, Bank of America and Revolut. Paxos has more than USD 20 billion under management and serves more than 400 million end-customers around the world.

The planned activity model has significant advantages for the customer. Thus, for example, customers will not be required to have a private crypto wallet or to remember or manage the passwords for such a wallet, with all the risks involved therein. In addition, taxation aspects will be handled by the Bank, and the tax will be deducted on a regular basis.

At the first stage, the service is expected to be introduced to Pepper customers, followed by other customers of the Bank. Trading will be initially possible in Bitcoin and Etherium - the leading crypto currencies with the highest trading volumes worldwide. The service will be launched after obtaining all the required regulatory approvals.

Material Changes in Financial Statement Items

On September 23, 2021, Bank Leumi Corporation (hereinafter - "BLC"), a US-based corporation (85 percent of which is held by the Bank), entered into a merger agreement with Valley National Bancorp (hereinafter - "Valley").
On April 1 2022, the merger transaction was completed.

As a result of the merger, a profit of NIS 645 million, net of tax, will be recorded. Out of the said amount, a total of NIS 194 million was recorded during the reporting period and the balance will be recorded in the second quarter.

The Bank believes that the transaction will improve the capital ratios by 0.5 percent. Most of the improvement will be reflected on April 1 2022, once the merger has been completed.

It should be noted that in the financial statements of the first quarter of 2022, the investment in BLUSA is classified as a held-for-sale disposal group. As a result, on March 31 2022, BLUSA's balances of assets and liabilities were classified separately, without classifying comparative results.

As of the second quarter of 2022, the Bank is expected to treat its investment in Valley using the equity method.

For more information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.

For more information, please see the section entitled "Main Investee Companies", "BLUSA".

During April 2022, the Bank entered into an agreement to sell one of its headquarters buildings in Tel Aviv. This sale is expected to generate a pre-tax capital gain for the Bank of NIS 524 million, which will be recorded on the date in which the Bank's management will relocate to Lod, which is expected to take place in the second half of 2023.

As of January 1 2022, the Bank applies the revised directives of the Bank of Israel regarding the manner of calculating and presenting return on equity and income and expense rates; as part of the application of the directives, the relevant comparative results were reclassified.

For additional details regarding the manner of calculation and presentation of return on equity as of January 1 2022, please see Note 1.B.3.

Below are the results for the first quarter of 2022:

Net income attributable to shareholders (hereinafter - the "net income") in the first quarter amounted to NIS 1,609 million compared to NIS 1,340 million in the same quarter last year.

The **return on equity** in the first quarter was 15.6 percent, compared to a rate of 14.2 percent in the same quarter last year (the return on equity as published in the financial statements as at March 31 2021 is 15.0 percent - a difference which, as mentioned above, stems from the Bank of Israel's revision of the relevant directives).

Net interest income in the first quarter of the year totaled NIS 2,899 million compared to NIS 2,348 million in the corresponding quarter last year, a 23.5 percent increase. The increase in the interest income stems from the increase in the Bank's loan portfolio and from the differences in the CPI from one period to another. In the first quarter, the CPI was positive, at 1.2 percent, compared with a positive 0.1 percent in the corresponding quarter last year.

Loan loss income for the first quarter reflects an income rate of approx. 0.04 percent of the average outstanding loans to the public compared to an income rate of 0.28 percent in the corresponding quarter last year. The income in the first quarter arises primarily from collections, in addition to an increase in the collective provision. The rate of income in the specific provision for troubled debt was 0.18 percent. The expense rate in the collective provision was 0.14 percent. The rate of loan loss provision relative to the outstanding loans as at March 31 2022 was 1.36 percent.
In accordance with the Bank of Israel's directives, as of January 1 2022, the Bank applies, for the first time, new rules regarding loan loss provisions by recording the cumulative effect arising from the application to retained earnings, less deferred taxes (without restating comparative results). The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses that might arise during the loan's life.

For additional information, please see Note 1.B.1.

Noninterest finance income in the first quarter totaled approx. NIS 14 million, compared to a total of approx. NIS 441 million in the corresponding quarter last year. Most of the decrease stems from declines in financial markets and the effect of derivatives and exchange rate differentials.

It should be noted that subsequent to the balance sheet date, there were substantial declines in capital markets, inter alia, due to increases in bond yields and spreads. For more information, please see Note 16.F.

The operating and other fees and commissions in the first quarter were up by NIS 62 million compared to the corresponding quarter last year. Most of the increase is on the back of fees and commissions from exchange rate differentials, fees and commissions from financing activities, credit handling fees, and credit card fees and commissions. The increase was partly offset by a decrease in fees and commissions on securities.

Operating and other expenses were down by NIS 45 million in the first quarter compared with the corresponding quarter last year, a 2.4 percent decrease. Most of the decline is from salary expenses, on the back of the lower provision for bonuses, which was offset by an increase in other expenses, mostly from an increase in interest costs, due to the rise in the nominal interest rate.

The **efficiency ratio** in the first quarter was 46.6 percent compared with 49.4 percent in the corresponding quarter last year.

The **provision for profit tax** is significantly lower in the first quarter compared to the same quarter last year, mostly due to recording tax income from the merger transaction described above and from decrease in tax expenses in respect of previous years.

Basic earnings per share attributable to the shareholders in the first quarter totaled a gain of approx. NIS 1.11 compared to a gain of NIS 0.92 in the corresponding quarter last year.

The CET1 capital to risk components ratio as at March 31 2022 was 10.78 percent. The total capital ratio as at March 31 2022 was 13.54 percent. In this context, it should be mentioned that the Bank believes that the merger transaction with valley will improve the capital ratios by 0.5 percent. Most of the improvement will be reflected on April 1 2022, once the merger has been completed.

For more information, including expected regulatory changes with respect to capital adequacy measurement, please see section entitled “Equity and Capital Adequacy”.

On May 23 2022, the Board of Directors approved a dividend distribution totaling NIS 322 million, which represents approximately 20 percent of the profit for the first quarter of 2022. For further details, see under "Equity and Capital Adequacy".

Material Developments in Income, Expenses and Other Comprehensive Income

Following is the change in net income in the first quarter of 2022 compared to the corresponding quarter last year

	For the three months ended March 31		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Interest Income, Net	**2,899**	2,348	551	23.5
Loan loss income	**40**	212	(172)	(81.1)
Noninterest Income	**950**	1,374	(424)	(30.9)
Operating and Other Expenses	**1,794**	1,839	(45)	(2.4)
Profit before taxes	**2,095**	2,095	-	-
Provision for tax	**483**	753	(270)	(35.9)
Profit after taxes	**1,612**	1,342	270	20.1
Bank's share in associates' profits	**7**	7	-	-
Net income attributable to non-controlling interests	**10**	9	1	11.1
Net income attributable to the Bank's shareholders	**1,609**	1,340	269	20.1
Return on equity[(a)] (in %)	**15.6**	14.2		
Basic earnings per share (in NIS)	**1.11**	0.92		

Net income development by quarter

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Interest Income, Net	**2,899**	2,553	2,671	2,774	2,348
Loan loss income	**40**	83	359	158	212
Noninterest Income	**950**	1,365	1,240	1,532	1,374
Operating and Other Expenses	**1,794**	1,876	1,855	1,858	1,839
Profit before taxes	**2,095**	2,125	2,415	2,606	2,095
Provision for tax	**483**	693	879	950	753
Profit after taxes	**1,612**	1,432	1,536	1,656	1,342
Bank's share in associates' profits	**7**	46	26	22	7
Net income attributable to non-controlling interests	**10**	8	11	11	9
Net income attributable to the Bank's shareholders	**1,609**	1,470	1,551	1,667	1,340
Return on equity[(a)] (in %)	**15.6**	14.0	15.1	16.8	14.2
Basic earnings per share (in NIS)	**1.11**	1.01	1.07	1.15	0.92

(a) Annualized; as of January 1 2022, the Bank is applying the revised disclosure requirements of the Banking Supervision Department regarding presenting the rate of return on equity and income and expense rates; under the revision, the presentation method of the quarterly rate of return on equity and of income and expense rates was revised to annualized terms, as is the method in US banks. Accordingly, the Bank translated the quarterly ratios to annualized terms and multiplied it by four, in lieu of exponentiation according to the previous presentation method. According to the circular's provisions, the Bank reclassified the comparative figures of rate of return on equity and income and expense rates relating to the previous quarterly periods presented in this report. The return on equity as published in the financial statements for the first quarter, second quarter, third quarter and fourth quarter of 2021 is 15.0, 17.9, 16 and 14.8 percent, respectively.

Interest Income, Net

	For the three months ended March 31			
	2022		2021	
	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)[(a)]
	In NIS million	In %	In NIS million	In %
Interest income	**3,361**	**2.28**	2,612	2.11
Interest expense	**(462)**	**(0.47)**	(264)	(0.30)
Interest Income, Net	**2,899**	**1.81**	2,348	1.81
Net yield on interest-bearing assets (NIM)		**1.96**		1.90

(a) Annualized; as of January 1 2022, the Bank is applying the revised disclosure requirements of the Banking Supervision Department regarding presenting the rate of return on equity and income and expense rates; under the revision, the presentation method of the quarterly rate of return on equity and of income and expense rates was revised to annualized terms, as is the method in US banks. Accordingly, the Bank translated the quarterly ratios to annualized terms and multiplied it by four, in lieu of exponentiation according to the previous presentation method. According to the circular's provisions, the Bank reclassified the comparative figures of rate of return on equity and income and expense rates relating to the previous quarterly periods presented in this report. The effect of the application of the directive on the comparative results of income and expense rates is immaterial.

The increase in the net interest income arose from the growth in the Bank's loan portfolio and from CPI differences from one period to another. The CPI in the current quarter was a positive 1.2 percent, compared with a positive CPI of 0.1 percent in the corresponding quarter last year. Net interest income in the current quarter was positively affected by the positive CPI in the amount of NIS 383 million, while in the corresponding quarter last year, the results were positively affected by the positive CPI by a total of NIS 40 million only.

The income rate was up 0.17 percent from one period to another, mainly due to the increase in CPI, which was partially offset by a change in the credit mix and erosion of credit spreads, as well as from the increase in the balance of assets carrying a low interest rate.

The expense rate was up 0.17 percent from one period to another, mainly due to the increase in CPI, which was partially offset by the change in the liabilities mix, mostly on the back of the increase in current accounts balances.

The growth in the net yield on interest-bearing assets in the reporting period mainly stems from the positive effect of the change in CPI on net interest income.

The total interest rate spread in the current quarter is 1.81 percent, which is similar to the corresponding quarter last year.

The following table presents interest spread information from activity in Israel by linkage segment:

In the non-linked NIS segment, the interest rate spread was 1.66 percent, compared with 1.79 percent in the corresponding quarter last year. In the CPI segment, the interest rate spread in the quarter was 1.78 percent, compared with 1.69 percent in the corresponding quarter last year. In the foreign exchange segment, the total interest rate spread in the reporting period was 0.80 percent, compared with 0.97 percent in the corresponding quarter last year.

For more information regarding interest income and expenses, please see Appendix 1 - "Income and Expenditure Rates and Analysis of Changes in Interest Income and Expenses".

Loan loss expenses (income)

	For the three months ended March 31		Change	
	2022[a]	2021		
	In NIS million		In NIS million	In %
Income for loan losses - Specific	**(164)**	(169)	5	3.0
Loan loss expense (income) - collective	**124**	(43)	167	+
Total loan loss income	**(40)**	(212)	172	81.1
Of which:				
Loan loss expenses (income) for credit risk for commercial credit risk	**1**	(180)	181	+
Loan loss income for credit risk in respect of housing loans	**(7)**	(19)	12	63.2
Loan loss income for other credit risk in respect of private individuals	**(48)**	(13)	(35)	-
Loan loss expenses for credit risk for banks, governments and held-to-maturity bonds	**14**	-	14	-
Total loan loss income	**(40)**	(212)	172	81.1
Ratios (in %):[b][c]				
Percentage of specific income for loan losses out of the average outstanding loans to the public	**(0.18)**	(0.22)	0.04	18.2
Percentage of collective loan loss expense (income) out of the average outstanding loans to the public	**0.14**	(0.06)	0.20	+
Percentage of loan loss income out of average outstanding loans to the public	**(0.04)**	(0.28)	0.24	85.71
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	-[d]	(0.16)	0.16	100.00
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**0.16**	(9.32)	9.48	+

(a) As of January 1 2022, the Bank applies for the first time Reporting to the Public Directives; upon first-time application, the cumulative effect, net of tax, was recorded in retained earnings without amending comparative results; for additional information, see Note 1.B.1. In addition, as of January 1 2022, the Bank applies the Bank of Israel's directives regarding restructuring of troubled debt. For more information, please see Note 1.B.1
(b) Annualized.
(c) Including balances classified as held-for-sale assets and liabilities. For more information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.
(d) Rate of less than 0.01 percent.

As of January 1 2022, the Bank applies, for the first time, new rules regarding loan loss provisions by recording the cumulative effect arising from the application to retained earnings, less deferred taxes (without restating comparative results). The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses.

Development of loan loss expenses by quarter

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Income for loan losses - Specific	**(164)**	(90)	(151)	(76)	(169)
Loan loss expense (income) - collective	**124**	7	(208)	(82)	(43)
Total loan loss income	**(40)**	(83)	(359)	(158)	(212)
Of which:					
Loan loss expenses (income) for credit risk for commercial credit risk	**1**	(41)	(248)	(153)	(180)
Loan loss income for credit risk in respect of housing loans	**(7)**	(55)	(63)	(8)	(19)
Loan loss expenses (income) for credit risk for private individuals - other	**(48)**	13	(49)	4	(13)
Loan loss expenses (income) for credit risk for banks, governments and held-to-maturity bonds	**14**	-	1	(1)	-
Total loan loss income	**(40)**	(83)	(359)	(158)	(212)
Ratios (in %):[(a)(b)]					
Percentage of specific income for loan losses out of the average outstanding loans to the public	**(0.18)**	(0.10)	(0.19)	(0.10)	(0.22)
Percentage of collective loan loss expense (income) out of the average outstanding loans to the public	**0.14**	0.01	(0.25)	(0.10)	(0.06)
Percentage of loan loss income out of the recorded average outstanding loans to the public	**(0.04)**	(0.09)	(0.44)	(0.20)	(0.28)
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	-[(c)]	0.03	0.01	(0.01)	(0.16)
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**0.16**	2.39	0.85	(0.79)	(9.32)

(a) Annualized.
(b) Including balances classified as held-for-sale assets and liabilities. For more information regarding the held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16.B.
(c) Rate of less than 0.01 percent.

For more information regarding loan loss expenses, please see Note 6 and Note 13.

Noninterest Income

	For the three months ended March 31		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Noninterest finance income	**14**	441	(427)	(96.8)
Fees and Commissions	**930**	868	62	7.1
Other income	**6**	65	(59)	(90.8)
Total	**950**	1,374	(424)	(30.9)

Development of noninterest income by quarter

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Noninterest finance income	**14**	370	276	627	441
Fees and Commissions	**930**	939	846	853	868
Other income	**6**	56	118	52	65
Total	**950**	1,365	1,240	1,532	1,374

Due to the substantial declines in the markets due, inter alia, to the increase in interest rates, the weight of noninterest income out of total income (i.e., net interest income and noninterest income) in the first quarter of 2022 was 24.7 percent, compared with 36.9 percent for the corresponding period last year and 34.8 percent for the 2021 full year.

Breakdown of noninterest finance income

	For the three months ended March 31		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Net income (expense) in respect of derivatives and net exchange rate differentials for not-for-trading activities	**(55)**	101	(156)	-
Gains (losses) on sale of available-for-sale bonds, net	**(7)**	65	(72)	-
Realized and unrealized gains, net[(a)] and dividend from equity securities not held for trading	**15**	192	(177)	(92.2)
Gain on sale of investees' equity	**78**	-	78	-
Gains on sold loans, net	**15**	-	15	-
Net income for derivatives for trading activities	**24**	90	(66)	(73.3)
Realized and unrealized losses from adjustments to fair value of held-for-trading bonds and equity securities, net[(a)] and dividend from held-for-trading equity securities	**(56)**	(7)	(49)	-
Total	**14**	441	(427)	(96.8)

(a) Realized and unrealized gains from fair value adjustments of held-for-trading bonds and equity securities, net also include the effect of exchange rate differentials.

The losses due to derivatives and to net exchange rate differentials as well as the losses from the not-held-for-trading and held-for-trading securities are the result of declines in market values which occurred during the in the first quarter of 2022, on the back of the increase in interest rates and the military confrontation between Russia and Ukraine. Subsequent to the balance sheet date, there was a further decline in financial markets.

subsequent to the balance sheet date, there were substantial declines in capital markets, inter alia, due to increases in bond yields and spreads.

For additional information, please see Note 16.F.

Breakdown of noninterest finance income by quarter

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Net income (expense) in respect of derivatives and net exchange rate differentials for not-for-trading activities	**(55)**	51	48	110	101
Gains (losses) on sale of available-for-sale bonds, net	**(7)**	51	63	52	65
Realized and unrealized gains, net[a] and dividend from equity securities not held for trading	**15**	94	108	448	192
Gain on sale of investees' equity	**78**	-	-	-	-
Gains on sold loans, net	**15**	-	-	-	-
Net income for derivatives for trading activities	**24**	170	71	18	90
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and equity securities, net[a] and dividend from held-for-trading equity securities	**(56)**	4	(14)	(1)	(7)
Total	**14**	370	276	627	441

(a) Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds and equity securities, net also include the effect of exchange rate differentials.

Breakdown of fees and commissions

	For the three months ended March 31			
	2022	2021	Change	
	In NIS million		In NIS million	In %
Account management	**162**	157	5	3.2
Activity in securities and certain derivatives	**199**	219	(20)	(9.1)
Credit cards	**94**	84	10	11.9
Credit handling	**63**	51	12	23.5
Financial products distribution fees and commissions	**72**	67	5	7.5
Exchange rate differentials	**120**	98	22	22.4
Financing fees and commissions	**134**	114	20	17.5
Other fees and commissions	**86**	78	8	10.3
Total fees and commissions	**930**	868	62	7.1

Most of the increase is on the back of fees and commissions from exchange rate differentials, fees and commissions from financing activities, credit handling fees, and credit card fees and commissions. The increase was partly offset by a decrease in fees and commissions on securities.

Breakdown of fees and commissions by quarter

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Account management	**162**	174	160	158	157
Activity in securities and certain derivatives	**199**	200	173	192	219
Credit cards	**94**	88	99	94	84
Credit handling	**63**	55	47	50	51
Financial products distribution fees and commissions	**72**	73	72	69	67
Exchange rate differentials	**120**	118	94	92	98
Financing fees and commissions	**134**	146	120	115	114
Other fees and commissions	**86**	85	81	83	78
Total fees and commissions	**930**	939	846	853	868

Breakdown of other income

	For the three months ended March 31			
	2022	2021	Change	
	In NIS million		In NIS million	In %
Gains (losses) on severance pay reserve	**(3)**	10	(13)	-
Other income, including on sale of buildings and equipment	**9**	55	(46)	(83.6)
Total	**6**	65	(59)	(90.8)

Breakdown of other income by quarter

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Gains (losses) on severance pay reserve	**(3)**	10	39	24	10
Other income, including on sale of buildings and equipment	**9**	46	79	28	55
Total	**6**	56	118	52	65

Operating and Other Expenses

	For the three months ended March 31		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Salaries and related expenses	**1,005**	1,078	(73)	(6.8)
Depreciation and amortization	**162**	171	(9)	(5.3)
Maintenance expenses for buildings and equipment	**202**	210	(8)	(3.8)
Other expenses	**425**	380	45	11.8
Total operating and other expenses	**1,794**	1,839	(45)	(2.4)

During the current quarter, operating and other expenses decreased year-on-year, mainly due to lower salary expenses, due to a decrease in the provisions for bonuses, which was offset by an increase in other expenses, mainly due to an increase in interest cost, on the back of the rise in the nominal interest rate.

The efficiency ratio in the first quarter of 2022 improved, standing at 46.6 percent, compared with 49.4 percent in the corresponding quarter last year and 46.8 percent in the entire 2021.

Total (annualized) operating and other expenses constitute 1.07 percent of total assets, compared with 1.30 percent in the corresponding quarter last year and 1.13 percent in the entire 2021.

Operating and other expenses by quarter

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Salaries and related expenses	**1,005**	1,030	1,079	1,055	1,078
Depreciation and amortization	**162**	177	172	174	171
Maintenance expenses for buildings and equipment	**202**	225	197	209	210
Other expenses	**425**	444	407	420	380
Total operating and other expenses	**1,794**	1,876	1,855	1,858	1,839

Salary Expenses

	For the three months ended March 31		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Salaries and related expenses	**920**	983	(63)	(6.4)
Pension, severance and retirement expenses	**85**	95	(10)	(10.5)
Total salary expenses	**1,005**	1,078	(73)	(6.8)

Salary expenses by quarter

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Salaries and related expenses	**920**	945	988	955	983
Pension, severance and retirement expenses	**85**	85	91	100	95
Total salary expenses	**1,005**	1,030	1,079	1,055	1,078

Provision for tax

The provision for profit tax is significantly lower in the first quarter stands at NIS 438 million compared to NIS 753 million in the same quarter last year, mostly due to recording tax income from the merger transaction detailed under the section entitled "Major Investee Companies" below, and from a decrease in tax expenses in respect of previous years.

Condensed Statement of Comprehensive Income:

Comprehensive income for the first quarter of 2022 totaled NIS 1,890 million compared to NIS 1,454 million in the corresponding quarter last year.

During the quarter, the difference between the comprehensive income and the net income - totaling NIS 281 million - arose from substantial positive adjustments of the liabilities for employee benefits in the amount of NIS 2,434 million, primarily as a result from the increase in the discount interest rate and from changes in actuarial assumptions and reduction of capital reserve. Most of these positive adjustments were offset by material negative adjustments for available-for-sale bonds in the amount of NIS (2,006) million, as a result of substantial declines in financial markets, mostly on the back of the higher interest rate and the military confrontation between Russia and Ukraine.

These adjustments are stated directly in other comprehensive income.

Subsequent to the balance sheet date, there were substantial declines in capital markets, inter alia, due to increases in yields and spreads of available-for-sale bonds, including bonds purchased against the interest rate exposure in pension liabilities, while causing a decline in pension liabilities.

The effect on the available-for-sale bonds is estimated, as of shortly before the report's publication date, at a decline of approximately NIS 0.6 billion in the capital reserve, net of tax. The decrease in the pension liability is estimated, shortly before the report's publication date, at an increase of approximately NIS 1 billion in the capital reserve.

It is emphasized that this is an estimate only. It is noted that the decrease in the value of the bonds is immediately stated in the regulatory capital, while the positive effect of the pension liability in respect of the rising interest rate is stated in the regulatory capital over eight quarters.

For the three months ended March 31 2022 and 2021 and for the year ended December 31 2021

	For the 3 months ended Mar. 31		For the year ended Dec. 31
	2022	2021	2021
	In NIS million		
Net income attributable to the Bank's shareholders	**1,609**	1,340	6,028
Changes in other comprehensive income (loss) attributable to the Bank's shareholders			
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(2,006)**	(510)	(438)
Adjustments of liabilities for employee benefits	**2,434**	644	392
Other adjustments[(a)]	**(66)**	(16)	(75)
Related tax effect	**(102)**	(8)	4
Net of other comprehensive loss attributable to non-controlling interests	**(21)**	(4)	(32)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**281**	114	(85)

(a) For the composition of the other adjustments, please see Note 4.

Structure and Development of Assets and Liabilities, Equity and Capital Adequacy

The total assets of the Leumi Group, excluding the balances of BLUSA (which are presented as held-for-sale assets and liabilities in a separate line as at the reporting date) as at March 31 2022 amounted to NIS 645.9 billion, compared to NIS 632.8 billion as at the end of 2021 - a 2.1 percent increase, and a 19.4 percent increase compared to March 2021.

The value of assets denominated in, and linked to, foreign currency out of the total assets, excluding the balance of BLUSA, of the Group is approximately NIS 136.3 billion, 20.4 percent of total assets. In the first quarter of 2022, the shekel devalued against the US dollar by 2.1 percent and 0.1 percent against the euro, and depreciated by 0.8 percent against the pound sterling. The effect of exchange rate differentials on the consolidated balance sheet in the first quarter of 2022 was negligible.

Total assets under the Group's management – total assets and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached NIS 2,132 billion as at March 31 2022, compared with a total of NIS 2,144 billion as at the end of 2021.

1. Following are the changes in the main balance sheet items, excluding the balances of BLUSA[a]

	March 31	December 31	Change	
			From December	From March
	2022	2021	2021	2021
	In NIS million		In %	
Total assets	**645,875**	632,802	2.1	19.4
Cash and deposits with banks	**165,047**	195,722	(15.7)	19.6
Securities	**94,360**	81,778	15.4	15.6
Loans to the public, net	**349,775**	324,956	7.6	20.7
Buildings and equipment	**2,640**	2,618	0.8	(2.6)
Deposits by the public	**516,711**	514,968	0.3	18.3
Deposits by banks	**26,651**	25,370	5.0	54.7
Bonds, promissory notes and subordinated bonds[b]	**21,459**	15,428	39.1	63.7
Equity attributable to the Bank's shareholders	**42,433**	41,610	2.0	8.5

(a) The comparative results do not include the balances of Bank Leumi USA (BLUSA), which, as of March 31 2022, were classified as held-for-sale assets and liabilities in the financial statements of the first quarter of 2022. For more information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.

(b) For additional information, please see section entitled "Bonds, capital notes and subordinated bonds".

2. Changes in the main off-balance-sheet items

	March 31	December 31	Change	
			From December	From March
	2022[c]	2021	2021	2021
	In NIS million		In %	
Documentary credit, net	**1,764**	1,637	7.8	22.0
Guarantees and other commitments, net	**57,399**	52,935	8.4	30.8
Unutilized credit card credit facilities, net	**8,450**	7,994	5.7	11.9
Unutilized current loan account facilities and other credit facilities in demand accounts, net	**16,718**	16,528	1.1	6.0
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	**74,258**	70,136	5.9	17.8
Derivative instruments[a][b]	**975,827**	892,563	9.3	31.1
Options - all types[b]	**164,194**	110,897	48.1	4.6

(a) Including forward transactions, financial swap contracts, swaps, futures and credit derivatives.

(b) For more information, please see Note 11.

(c) Including balances in respect of the held-for-sale operation; please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.

Loans to the Public, Net

Net loans to the public in the Leumi Group - excluding the outstanding loans of BLUSA, which is classified as a held-for-sale asset as of January 1 2022 - totaled, as of March 31 2022, NIS 349.8 billion compared to NIS 325.0 billion as at December 31 2021, a 7.6 percent increase.

The outstanding loan loss provision for the Leumi Group, excluding the outstanding loan loss provision of BLUSA - which, as of January 1 2022 is classified as a held-for-sale asset - amounts to a total of NIS 4.8 billion, compared to a total of NIS 4.2 billion as at December 31 2021; the increase in the provision arises primarily from the cumulative effect totaling NIS 625 million of the first-time application of Reporting to the Public Directives regarding expected loan losses. For more information regarding the change in the loan loss provision, please see Note 1.B.1.

In addition to loans to the public, the Group invests in corporate securities, which total 24,289 as at March 31 2022, compared to NIS 19,688 million as at the end of 2021, and which also embody credit risks.

For more information regarding the impact of the coronavirus crisis, please see the section entitled "Credit Risks".

Development in loans to the public, after loan loss provision by main economic sectors, without the balances of BLUSA that are classified as held-for-sale[(a)]

	March 31	December 31		
	2022	2021	Change	
	In NIS million		In NIS million	In %
Private individuals - housing loans	**107,597**	103,143	4,454	4.3
Private individuals - Other	**27,849**	27,040	809	3.0
Construction and real estate	**88,344**	80,859	7,485	9.3
Commercial	**29,381**	26,445	2,936	11.1
Industry	**21,529**	19,702	1,827	9.3
Other	**75,075**	67,767	7,308	10.8
Total	**349,775**	324,956	24,819	7.6

(a) The figures in the table do not include the balances of Bank Leumi USA (BLUSA), totaling NIS 18,915 million (December 31 2021 – NIS 17,923 million), which, as of March 31 2022, were classified as held-for-sale assets and liabilities in the financial statements of the first quarter of 2022. For more information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.

For more information regarding changes in loans and credit risk by economic sector, please see "Credit Risks".

Troubled Credit Risk

Following is the troubled credit risk after specific and collective provisions, excluding the balances of BLUSA, which is classified as held-for-sale[(a)]

	March 31			December 31[(b)]		
	2022			2021		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
	In NIS million					
Non-performing credit risk, net	**1,804**	**141**	**1,945**	1,534	119	1,653
Performing credit risk, net	**2,304**	**748**	**3,052**	2,635	657	3,292
Total	**4,108**	**889**	**4,997**	4,169	776	4,945

(a) The figures in the table do not include the balances of Bank Leumi USA (BLUSA), totaling NIS 18,915 million (December 31 2021 – NIS 17,923 million), which, as of March 31 2022, were classified as held-for-sale assets and liabilities in the financial statements of the first quarter of 2022.
For more information regarding the held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16.B.

(b) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

(c) For more information regarding troubled loans, please see section entitled “Credit Risks” and Note 13.

	March 31	December 31
	2022	2021
	In NIS million	
Troubled credit risk - Commercial	**5,156**	5,282
Troubled credit risk - retail	**1,217**	1,283
Total	**6,373**	6,565
Balance of loan loss provision	**1,376**	1,620
Troubled loans after loan loss provision	**4,997**	4,945

(a) The figures in the table do not include the balances of Bank Leumi USA (BLUSA), gross troubled credit risk totaling NIS 716 million and balance of loan loss provision in the amount of NIS 96 million, which, as of March 31 2022 (December 31 2021 - gross troubled credit risk totaling NIS 772 million and balance of loan loss provision in the amount of NIS 116 million), were classified as held-for-sale assets and liabilities in the financial statements of the first quarter of 2022.
For more information regarding the held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16.B.

(b) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

For more information regarding troubled loans, please see section entitled “Credit Risks” and Note 13.

Securities

The Group's investments in securities, as at March 31 2022, net of the balances of BLUSA that are classified as held-for-sale assets, amounted to NIS 94.4 billion, compared to NIS 81.8 billion as at the end of 2021, a 15.4 percent increase.

The Group's securities are divided into four classes: held-for-trading securities, not held-for-trading equity securities and mutual funds, available-for-sale bonds and held-to-maturity bonds.

For more information, please see Note 1.I.1 to the 2021 Financial Statements.

Fair value calculation method

The fair value of Israeli securities is based mainly on quoted prices on the Tel Aviv Stock Exchange; the fair value of foreign securities is based on prices received from external sources. Equity securities and mutual funds for which no fair value is available are presented at cost less impairment, adjusted upwards or downwards for observable prices in similar transactions or identical transactions of the same issuer.

Non-marketable Israeli bonds denominated in NIS are revalued using a fair value model, since these bonds do not have an active market.

Following is the classification and analysis of the securities line item in the consolidated balance sheet, excluding the balances of BLUSA, which is classified as held-for-sale[(f)]

	March 31 2022					December 31 2021				
	Held-to-maturity bonds[(d)]	Available-for-sale bonds[(a)]	Not held-for-trading equity securities and mutual funds	Held-for-trading securities[(b)]	Total	Held-to-maturity bonds	Available-for-sale bonds[(a)]	Not held-for-trading equity securities and mutual funds	Held-for-trading securities[(b)]	Total
	In NIS million									
Bonds										
Of the Israeli Government	6,208	29,716		1,455	37,379	4,023	23,583		2,591	30,197
Of foreign governments[(c)]	-	26,068		-	26,068	-	25,500		-	25,500
Of Israeli financial institutions	-	51		461	512	-	54		288	342
Of foreign financial institutions[(e)]	629	10,797		52	11,478	-	8,206		27	8,233
Asset-backed (ABS) or mortgage-backed (MBS)	2,776	6,312		36	9,124	2,274	5,851		42	8,167
Of other Israeli entities	-	578		207	785	-	585		106	691
Of other foreign entities	97	4,627		85	4,809	51	4,229		53	4,333
Equity securities and mutual funds			4,191	14	4,205			4,298	15	4,313
Total securities	9,710	78,149	4,191	2,310	94,360	6,348	68,008	4,298	3,122	81,776

(a) Including unrealized losses from fair value adjustments of NIS (720) million recorded in other comprehensive income (December 31 2021 - gains of NIS 1,359 million).
(b) Including unrealized losses from fair value adjustments in the amount of NIS (30) million recorded in profit and loss (December 31 2021 - gains of NIS 8 million).
(c) The US government - NIS 17.4 billion (December 31 2021 – NIS 18.7 billion).
(d) The outstanding balance of held-to-maturity bonds are presented net of a NIS 16 million loan loss provision.
(e) Most bonds of foreign financial institutions are SSA-rated (Super-nationals, Sovereign and Agencies) or state-backed.
(f) The figures in the table do not include the balances of Bank Leumi USA (BLUSA), which, as of March 31 2022, were classified as held-for-sale assets and liabilities in the financial statements of the first quarter of 2022. For more information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.

As at March 31 2022, approx. 82.8 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 2.4 percent as held-for-trading, approx. 4.4 percent as equity securities and mutual funds not held-for-trading and approx. 10.3 percent - as held-to-maturity. Approximately 4.4 percent of the securities' value is investments in corporate equity securities or mutual funds that are not equity-accounted, but rather stated at cost or according to the listed share and listed mutual funds' prices.

For information market developments subsequent to the balance-sheet date please see Note 16.F.

For information on the value of securities by method of measurement, please see Note 15.A.

Available-for-sale portfolio

1. In the first quarter, there was a NIS 1,771 million decrease (before tax) in other comprehensive income in respect of available-for-sale bonds, compared with a decrease of NIS 358 million (before tax) in the corresponding quarter last year.

2. In the first quarter, net losses on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 7 million (before tax), compared with net gains of NIS 65 million (before tax) in the corresponding quarter last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds held in the available-for-sale portfolio as at March 31 2022 totaled minus NIS 271 million (after tax), which represents a net realized loss as at the reporting date, compared with a positive NIS 902 million (after tax) as at the end of 2021, which represents a net unrealized gain as at the reporting date.

For information regarding fair value adjustments of available-for-sale securities recognized in equity, please see Note 5.

Held-for-trading portfolio

As at March 31 2022, the held-for-trading portfolio has approximately NIS 2.3 billion in bonds, compared with NIS 3.1 billion as at December 31 2021. As at March 31 2022, the held-for-trading portfolio constitutes 2.4 percent of the Group's total nostro portfolio, compared with 3.8 percent as at December 31 2021.

Realized and unrealized losses in respect of held-for-trading bonds in the amount of NIS 58 million were recorded net in the income statement in the first quarter, compared with net losses of NIS 8 million in the corresponding quarter last year.

Investments in equity securities and mutual funds

As at March 31 2022, investments in equity securities and mutual funds totaled NIS 4.2 billion, of which NIS 2.3 billion in marketable and NIS 1.9 billion - non-marketable.

Of the total investment, NIS 4,191 million is classified to the not held-for-trading portfolio and NIS 14 million - to the held-for-trading portfolio.

As at March 31 2022, the capital required in respect of these investments was NIS 345 million.

Realized and unrealized gains (including dividend) in respect of the equity securities and mutual funds in the amount of NIS 17 million were recorded net in the income statement in the first quarter, compared with net gains of NIS 193 million in the corresponding quarter last year.

For more information on the portfolio's composition, please see Note 5.

Investments in foreign securities

A. Investments in foreign asset-backed securities

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, investment-grade, amounted to NIS 9.1 billion (about USD 2.9 billion) as at March 31 2022, compared to NIS 8.2 billion as at the end of 2021. Out of the above portfolio, as at March 31 2022, NIS 6.3 billion (about USD 2.0 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of March 31 2022, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled NIS 3.7 billion. 90.80 percent of all mortgage-backed bonds in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and all were rated AAA as of the reporting date.

As of March 31 2022, the total net cumulative impairment from the mortgage-backed bonds portfolio charged to shareholders' equity was NIS 212 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total NIS 364 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 5.23 years (average duration). In addition to the mortgage-backed bonds, the Group's available-for-sale portfolio also includes other non-mortgage asset-backed bonds totaling approx. NIS 2.6 billion, of which CLO bonds account for NIS 1.9 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 4.5 years.

For more information on investment in asset-backed bonds, please see Note 5.

B. Investments in foreign non-asset-backed securities

As of March 31 2022, the Group's securities portfolio includes NIS 52.3 billion (USD 16.5 billion) in foreign non-asset-backed securities. NIS 46.4 billion (approx. USD 14.6 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 98.89 percent of the total securities are investment-grade and include mainly securities of the US Government, banks and financial institutions as well as bonds of investment-grade corporations, and the remainder are mainly securities issued by the Israeli Government.

For more information regarding exposure to foreign financial institutions, please see section entitled "Credit Risks".

As of March 31 2022, the cumulative decrease in shareholders' equity in respect of foreign non-asset-backed bonds which are in the available-for-sale portfolio was NIS 590 million (NIS 388 million after tax).

As aforesaid, in addition to the available-for-sale portfolio, the held-for-trading portfolio and held-to-maturity portfolio also include non-asset-backed securities. The held-for-trading portfolio mainly includes securities issued by governments, banks and financial institutions. 84.09 percent of the securities in the held-for-trading portfolio are investment-grade.

As at March 31 2022, the value of the non-asset-backed held-for-trading portfolio was NIS 145 million (USD 46 million).

Investments in bonds issued in Israel

As at March 31 2022, investments in bonds issued in Israel amounted to NIS 31.7 billion, of which NIS 30.4 billion was in NIS-denominated bonds issued by the Israeli Government and the remainder - corporate bonds. 48.5 percent of corporate bonds investments - which are NIS 0.5 billion - were included in the available-for-sale portfolio, and the remainder - in the held-for-trading portfolio.

The available-for-sale portfolio corporate bonds - which total NIS 0.5 billion - include an insignificant negative capital reserve.

All corporate bonds in the held-for-trading portfolio are listed and traded on the Tel Aviv Stock Exchange.
For more information, please see Note 5.

Deposits by the public

Deposits by the public with the Group, excluding the balances of BLUSA, totaled NIS 516.7 billion as at March 31 2022, compared to NIS 515.0 billion as at the end of 2021, a 0.33 percent increase.

Off-balance-sheet activity in securities held by the public

	March 31	December 31		
	2022	2021	Change	
	In NIS million		In NIS million	In %
Securities portfolios[(a)]	**1,045,624**	1,057,107	(11,483)	(1.1)
Assets for which operating services are provided:[(a)(b)(c)]				
Provident and pension funds	**231,028**	237,860	(6,832)	(2.9)
Advanced study funds	**186,336**	192,552	(6,216)	(3.2)

(a) Including changes in the market value of securities and value of securities of mutual funds and provident funds in the Group's custody, for which operational management and custody services are provided.
(b) The Group does not manage mutual funds, provident funds or study funds in Israel.
(c) Assets of customers to which the Group provides operational management services, including provident fund balances of customers who receive consulting services from Leumi.

Bonds, Commercial Securities, Capital Notes and Subordinated Bonds

Shelf Prospectus and Issuance of Bonds and Commercial Securities

On May 27 2021, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority. The shelf prospectus will be in effect for a period of two years from its publication date.

On March 27 2022, the Bank issued a total of NIS 1.336 billion p.v. in Series 184 Bonds as well as NIS 697 million p.v. in commercial securities (CS Series 1).

The principal of Series 184 Bonds is repayable in ten equal semiannual payments, from November 5 2025 to May 5 2030. The principal is not linked and carries an annual interest of 2.76 percent, which will be paid twice a year on May 5 and November 5 of each of the years 2022 to 2030, in respect of the six-month period ended on the day preceding the payment date, except for the first interest payment, which shall be made on November 5 2022 for the period beginning on the first trading day following the tender date for the bonds, until November 4, 2022. The rate of the payable interest at the first interest payment date shall be 1.68625 percent.

The principal of the Series 1 Commercial Securities and interest in respect thereof shall be payable in one lump sum on March 23 2023; it is not linked, and carries interest at a rate of 0.25 percent over the Bank of Israel's interest rate.

The Series 184 Bonds and Commercial Securities (Series 1 CS) are not recognized for regulatory capital purposes.

In addition, on March 27 2022, the Bank issued a total of NIS 632 million p.v. in Series 405 Subordinated Bonds for NIS 654.7 million. The Series 405 Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 1.5 percent payable on March 27 of each year. The Subordinated Bonds are repayable in one lump sum on July 27 2033, with the issuer having an early repayment option in March 2028. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate shall be revised according to the difference between the benchmark interest rate at the issue date and the benchmark interest rate at the interest revision date, as defined by the shelf offering report.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 405 Subordinated Bonds shall be converted into ordinary shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set minimum rate (NIS 16.66 per share, subject to adjustments), the highest of the two.

These subordinated bonds Series 405 are eligible for inclusion in Tier 2 capital as of the issue date.

For more information, please see the immediate report dated March 24 2022.

Equity and Capital Adequacy

Equity attributable to the Bank's shareholders totaled NIS 42,433 million on March 31 2022 compared with NIS 41,610 million as at the end of 2021.

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 shareholder's equity to assets ratio as at March 31 2022 reached 6.3 percent, the same as reported as at December 31 2021.

Capital Adequacy Structure[(a)]

	March 31		December 31
	2022	2021	2021
	In NIS million		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments[(c)]	**42,563**	40,446	43,117
Tier 2 capital, after deductions	**10,903**	10,333	10,148
Total capital	**53,466**	50,779	53,265
Balances of risk-weighted assets			
Credit risk	**365,454**	317,777	346,602
Market Risks	**6,178**	4,488	5,592
Operational risk	**23,147**	22,458	22,582
Total balances of risk-weighted assets	**394,779**	344,723	374,776
Capital to risk-weighted assets ratio			
Ratio of CET1 capital to risk-weighted components	**10.78%**	11.73%	11.50%
Total capital to risk-weighted assets	**13.54%**	14.73%	14.21%
Minimum CET1 capital ratio set by the Banking Supervision Department[(b)]	**10.19%**	9.21%	9.19%
Minimum total capital ratio set by the Banking Supervision Department[(b)]	13.50%	12.50%	12.50%

(a) For more information regarding the capital adequacy structure, please see Note 9.A.
(b) As of January 1 2022, the minimum capital requirements applicable to the Bank are 10 percent for Common Equity Tier 1 capital ratio (added to this ratio is a capital requirement representing 1 percent of the housing loans, excluding loans for the purchase of residential apartments granted from March 19 2020 to September 30 2021 and excluding all-purpose housing loans granted as of March 19 2020) and 13.5 for the total capital ratio.
(c) These data include adjustments in respect of first-time application of the of accounting rules on CECL, which decrease gradually until December 31 2024. For additional details, see Note 1.B.1.

The decrease in capital adequacy ratios stems from the significant increase in the credit portfolio and market declines, mostly on the back on the interest rate increase. As described above, other comprehensive income was materially affected by negative adjustments for available-for-sale bonds, which were offset by positive adjustments of employee benefit liabilities. However, the decline in the value of the bonds is immediately recorded in regulatory capital, while the positive effect of the employee benefit liability - due to the interest rate increase - is recorded in regulatory capital over eight quarters.

It is also emphasized that the merger of BLUSA was completed on April 1 2022. The transaction will improve the capital ratios by 0.5 percent. Most of the improvement will be reflected on April 1 2022, once the merger has been completed.

For more information regarding this transaction, please see the section entitled "Main Investees" and Note 16.B.

For more information regarding expected regulatory changes regarding capital adequacy measurement, see below in this section.

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 1 capital 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.

Additional adjustments to Common Equity Tier 1 capital arising from the implementation of operational efficiency plans and the method of calculating the discount rate used to calculate the employee benefits liability, as detailed below.

A breakdown of the minimum Common Equity Tier 1 capital regulatory requirement appears 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 Tier 1 capital ratio, and the Leumi Group has no Additional Tier 1 capital instruments.

Tier 2 capital

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

Capital instruments which were included in Tier 2 Capital at December 31 2013, were subject to transitional provisions and a recognition ceiling, which was amortized at the beginning of each year at 10 percent until January 1 2022. As of January 1 2022, these equity instruments are no longer recognized for regulatory capital purposes.

From the beginning of 2014, 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 that the instrument must include are: (1) a mechanism for absorbing reserve losses by way of conversion to ordinary shares or amortization of the instrument when the banking corporation's Common Equity Tier 1 capital ratio falls below 5 percent; (2) a clause determining that, on the occurrence of the defining event for non-viability (as defined in Appendix E to 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 issued regulatory capital instruments, please see the Bank's website at: https://english.leumi.co.il.

Capital Adequacy

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, beginning on January 1 2017. This requirement applies to Leumi.

Additionally, under Proper Conduct of Banking Business Directive No. 329, "Restrictions on Granting Housing Loans", a banking corporation is required to increase its Common Equity Tier 1 capital target by a rate which reflects 1 percent of outstanding housing loans. On October 6, 2021, the Banking Supervision Department published a revised FAQ - "Limitations on Issuing Housing Loans", in which it clarified that the requirement to increase the capital target by a rate which reflects 1 percent of the outstanding housing loans amount refers to the Common Equity Tier 1 target only, and applying it to the total capital target is not mandatory. Accordingly, the minimum total capital ratio required by the Banking Supervision Department was adjusted - please see Note 9.A.

Circular entitled "Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Order)" - Proper Conduct of Banking Business Directive No. 250

On March 31 2020, the Bank of Israel published a circular entitled Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Order) (Directive No. 250) (hereinafter: the "Temporary Provision"). In accordance with the temporary order, a banking corporation whose consolidated total assets equals or exceeds 24 percent of the banking system's total assets is required to maintain a Common Equity Tier 1 capital ratio to risk-weighted assets that shall not fall below 9 percent and a ratio of total capital to risk-weighted assets that shall not fall below 12.5 percent (in lieu of 10 percent and 13.5 percent, respectively, prior to the circular). The directive applies to Leumi.

On the back of the ongoing development of the coronavirus event and its implications on the Israeli and global economies, the Banking Supervision Department decided to prolong, from time to time, the validity of the temporary order. On December 27, 2021, the Banking Supervision Department published a circular according to which, as of January 1 2022, the temporary order will expire, except for specific provisions with a later expiry date; on January 18 2022, the Banking Supervision Department published another circular, according to which the temporary order would not be revoked, but rather revised.

According to the directive, the capital targets easement shall be in effect until December 31 2023, while the banking corporation's capital ratios shall be no less than the capital ratios on December 31 2021, or the minimum capital ratios applicable to the corporation prior to the temporary order, whichever the lower. As of December 31, 2021, the CET1 capital ratio of Leumi is 11.50 percent and the total capital ratio is 14.21 percent; therefore, as of January 1, 2022, Leumi is subject to the minimum capital targets in effect prior to the temporary order - i.e. the CET1 capital ratio shall not fall below 10 percent, and the total capital ratio shall not fall below 13.5 percent. It was also determined in the circular that for a period until June 30 2022, a reduction of up to 0.3 percent in the capital ratios shall not be deemed as deviating from the required capital ratios, subject to stringent and conservative capital planning and to reporting to the Banking Supervision Department.

As part of the Temporary Order, it was decided that the additional capital requirement of 1 percent of the outstanding housing loans, stipulated in Section 14A, will not be applicable to housing loans extended during the crisis period - from March 19 2020 to September 30 2021. Proper Conduct of Banking Business Directive No. 329, Limitations on Issuing Housing Loans. In accordance with the circular published by the Banking Supervision Department on September 30 2021, as of October 1 2021, the easement remains in effect only in respect to the capital requirement for housing loans not intended for the purchase real estate properties (all-purpose loans). Accordingly, the additional capital requirement for housing loans, as at March 31 2022, is 0.19 percent in terms of CET1.

Accordingly, the minimum capital requirements applicable to the Bank as at March 31 2022 are 10.19 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

Regarding the leverage ratio, according to the temporary order, a banking corporation whose consolidated total assets constitute at least 24 percent of the Israeli banking system's total assets shall have a consolidated leverage ratio of no less than 5.5 percent (in lieu of 6 percent previously). On May 15 2022, a circular amending the temporary order was published, according to which the easement shall be extended until June 30 2024, with the leverage ratio not falling below the leverage ratio as of December 31 2023 or the minimum leverage ratio applicable to the banking corporation prior to the temporary order, whichever the lower. It was also determined that taking advantage of the easement shall not prevent the distribution of dividends, subject to a total capital planning aimed at reverting to the required leverage 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 the Risk Management Report as at December 31 2021.

Under the regulatory review process, the Banking Supervision Department instructed the banks to set internal capital targets that would match each Bank's risk profile. As a result, the Bank's Board of Directors approved an increase in the Bank's internal Tier 1 capital target to 10.5 percent, as from December 31 2017.

Upon the outbreak of the coronavirus crisis, the Bank's board of directors decided to decrease the Common Equity Tier 1 internal capital target to 9.5 percent. After the expiration of the capital target easements, the Bank's Board of Directors decided, on March 8 2022, to revise the internal CET1 capital, raising it to 10.5 percent as was prior to the coronavirus crisis.

For more information, please see the immediate report dated March 9 2022 (Ref. No. 2022-01-027670).

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. and 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.

In the Banking Supervision Department circular dated December 27 2021, limitations on distribution of dividends were revoked and banking corporations were instructed to exercise due caution when examining their business model, as well as take into account the remaining uncertainty in the markets, due, among other things, to new virus mutations.

On May 23 2022, the Board of Directors approved a dividend distribution totaling NIS 322 million, which represents approximately 20 percent of the net income for the first quarter of 2022, inter alia on the back of the Bank's substantial growth in credit. The approved dividend per share is NIS 1 par value, which amounts to 22.142 agorot. The Board of Directors set June 7 2022 as the record date for dividend payment purposes and June 15 2022 as the payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS million
August 12 2021	September 2 2021	43.36	630
November 15 2021	December 12 2021	94.11	1,367
March 9 2022	April 6 2022	40.48	588

Adjustments to Common Equity Tier 1 Capital

Measurement of the employee benefits liability

For information regarding measuring liabilities in respect of employees, please see the section entitled "Equity and Capital Adequacy" in the 2021 Report of the Board of Directors and Management and Annual Financial Statements.

For information regarding the discounting methodology, please see "Critical Accounting Policies and Estimates".

Relief for operational efficiency plans

In 2016 and 2017, the Banking Supervision Department published letters entitled "Operational Efficiency of the Banking System in Israel" - workforce and real estate. According to the letters, a banking corporation which meets the terms and conditions prescribed, will be granted a relief, according to which it may spread the effect of the plans, on a straight-line basis, over a period of five years. The validity of the Banking Supervision Department was extended until December 31 2021, in an effort to allow the formulation of additional efficiency plans.

In July 2017, the Bank's Board of Directors approved an efficiency plan, for a total cost of NIS 204 million (after tax). As of March 31 2022, 95 percent of the plan's costs are attributable to regulatory capital.

As part of the understandings regarding the special collective agreement signed with the Workers' Union in July 2019, the Bank's Board of Directors approved a voluntary retirement plan, which amounted to NIS 167 million (after tax). As of March 31 2022, 55 percent of the plan's costs are attributable to regulatory capital.

Regulatory and other changes in measuring the capital requirements

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. Inter alia, changes were made in the method of calculating capital requirements according to the standardized approach to credit risk, a uniform standardized approach was prescribed with regard to operational risk, and changes were made in market risk measurement. In March 2020, the body overseeing the Basel Committee published a notice whereby the application of the various standards included in the revision will be postponed by one year and will begin on January 1 2023. The European Union is expected to postpone the application until 2025. Presently, the Bank does not know how and when these rules will be adopted by Israel's Banking Supervision Department.

Directives pertaining to the attribution of capital for derivative financial instruments

In April 2019, the Banking Supervision Department announced plans to begin implementing the Basel 2014 Guidelines "The Standardized Approach for Measuring Counterparty Credit Risk Exposures" (SA-CCR).

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.

On March 15 2022, the Banking Supervision Department published a circular entitled "Treating Counterparty Credit Risk", which includes revisions and various clarifications (FAQ) regarding the implementation of Directive No. 203A.

On April 7 2022, a circular was published revising Proper Conduct of Banking Business Directive No. 203, "Measurement and Capital Adequacy - The Standardized Approach - Credit Risk" and Directive No. 218, "Leverage Ratio". According to the revisions, the calculation of the exposure will be made according to Directive No. 203A.

The application date of Directive No. 203A, "Treating Counterparty Credit Risk" and the application date of the revisions to Directives Nos. 203 and 218 will be July 1 2022. The application date of Directive 208A, Value Adjustment for Credit Risk, will be January 1 2025.

The Bank is examining the effects of the said directives and continues to prepare for its implementation. The Bank believes that these directives are expected to increase the capital requirements for derivatives, decrease the leverage ratio and affect the calculation of the industry concentration limit and restrictions on borrower indebtedness and borrower groups. It is impossible to evaluate the extent of their expected effect at this point.

Circular entitled "Regulatory Capital - Effect of Implementation of Accounting Principles regarding Expected Loan 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 on Expected Credit Losses" as of December 1 2020, as well as additional revisions, as part of adjustments to additional Proper Conduct of Banking Business Directives adjusted to the new rules on expected credit losses. Among other things, since January 1 2022, 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 percent of the decrease in the Common Equity Tier 1 capital as of the first-time application (as a result, at the beginning of each year from the first-time application, the addition to the Common Equity Tier 1 capital will decrease by 25 percent, until 0 percent is added on January 1 of the fourth application year.

For the effect of the application of the new directives on the Bank's financial statements and on the Bank's capital ratios, please see Note 1.B.1.

Draft circular amending Proper Conduct of Banking Business Directive No. 203, "The Standardized Approach – Credit Risks"

On March 20 2022, the Banking Supervision Department published a draft circular to the amendment to the Proper Conduct of Banking Business Directive No. 203, "The Standardized Approach - Credit Risk". Under the circular, the risk weight attributed to credit provided for the sale of land for development and construction purposes will increase to 150 percent, at a rate (LTV) of over 75 percent of the value of the purchased property, excluding financing of agricultural properties with no rezoning prospects. The Bank is examining the questions arising from the aforementioned change and their possible effect.

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

- Change in the volume of risk-weighted assets – Leumi's risk-weighted assets amounted to NIS 394.8 billion as at March 31 2022. A NIS 1 billion increase in risk-weighted assets will reduce the Common Equity Tier 1 capital ratio and the total capital ratio by approx. 0.03 percent.
- Common Equity Tier 1 - Common Equity Tier 1 as of March 31 2022 totals NIS 42.5 billion. A NIS 100 million decrease in Common Equity Tier 1 capital will decrease the Common Equity Tier 1 capital and the total capital ratio by 0.03 percent.
- 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.
- Liabilities for employee benefits – the actuarial liability for employees is discounted according to an eight-quarter moving average of market yields, which are affected by the Government of Israel's bond curve and by the US AA corporate bond spread. A change of 0.1 percent across the discount rate curve, under the assumption that the curve rises and falls uniformly, means a cumulative effect of 0.06 percent on the CET1 capital ratio and total capital ratio. Of which, according to a moving average calculation for eight quarters, an effect of approx. 0.01 percent in the CET1 capital ratio and the total capital ratio for the current quarter.

On April 1 2022, the merger transaction between Leumi's subsidiary Bank Leumi USA and Valley National Bancorp was completed; as of this date, the Bank holds 14.2 percent of the shares of the merged bank.

Please see the immediate report dated April 3 2022 (Ref. No. 2022-01-041695).

For the expected effect of the completed merger transaction on Leumi's capital ratios, please see below under "Major Investee Companies".

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 under "Forward-Looking Information".

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.

The leverage ratio may be affected by changes in the Bank's regulatory capital. When calculating the leverage ratio, the following were taken into account, inter alia: The effect of the implementation of the efficiency plan and adjustments in respect of the application of the discount rate calculated over a moving average of the market yield for the eight quarters ended on the reporting date, in respect of certain actuarial liabilities.

	March 31		December 31
	2022	2021	2021
	In NIS million		
Consolidated data			
Tier 1 capital	**42,563**	40,446	43,117
Total exposures	**720,542**	612,517	711,125
Leverage ratio			
Leverage Ratio	**5.91%**	6.60%	6.06%
Minimum total leverage ratio set by the Banking Supervision Department[(a)]	**5.50%**	5.50%	5.50%

For additional information regarding capital adequacy and leverage, please see directives pertaining to the attribution of capital for derivative financial instruments above and Note 9.B.

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

The decrease in leverage ratio stems from the significant increase in the credit portfolio and market declines, mostly on the back on the interest rate increase. As described above, other comprehensive income was materially affected by negative adjustments for available-for-sale bonds, which were offset by positive adjustments of employee benefit liabilities. However, the decline in the value of the bonds is immediately recorded in regulatory capital, while the positive effect of the employee benefit liability - due to the interest rate increase - is recorded in regulatory capital over eight quarters.

Operating Segments - Management Approach

Operating segments reporting according to management approach presents the Bank's results by business line, in accordance with the Bank's organizational structure.
The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

For more information regarding the business lines according to the management approach, please see section entitled "Operating Segments" in the 2021 Annual Financial Statements.

Condensed results of operations according to management approach

	For the three months ended March 31 2022											
	The Bank									Sub-sidi-aries in Israel	Foreign subsid-iaries	Total
	Private Individ-uals	Small busi-nesses	Banking - total	Mort-gages	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	279	269	548	1,065	365	276	307	46	3	33	256	2,899
Inter-segmental	215	25	240	(707)	7	(80)	(36)	587	(1)	(2)	(8)	-
Interest Income, Net	494	294	788	358	372	196	271	633	2	31	248	2,899
Noninterest income (expense)	373	121	494	5	148	59	104	(78)	(9)	154	73	950
Total income	867	415	1,282	363	520	255	375	555	(7)	185	321	3,849
Loan loss expenses (income)	(50)	(44)	(94)	(1)	104	3	(51)	10	(3)	3	(11)	(40)
Total operating and other expenses	647	241	888	85	178	66	35	96	210	49	187	1,794
Profit (loss) before taxes	270	218	488	279	238	186	391	449	(214)	133	145	2,095
Provision for tax (benefit)	92	75	167	95	81	64	134	154	(286)	33	41	483
Net income attributable to the Bank's share-holders	178	143	321	184	157	122	257	295	72	107	94	1,609

Balances as at March 31 2022												
Loans to the public, net	31,293	25,824	57,117	108,947	56,419	46,526	48,088	20,258	5,646	1,099	5,675[(a)]	349,775
Deposits by the public	187,165	51,158	238,323	-	90,840	29,861	13,223	141,674	3	-	2,787[(b)]	516,711

(a) Excluding balances classified as held-for-sale assets in the amount of NIS 18,915 million.
(b) Excluding balances classified as held-for-sale liabilities in the amount of NIS 22,536 million.

Condensed results of operations according to management approach (cont.)

	For the three months ended March 31 2021											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	286	265	551	613	328	272	234	93	1	23	233	2,348
Inter-segmental	165	14	179	(297)	(4)	(80)	(18)	218	-	1	1	-
Interest Income, Net	451	279	730	316	324	192	216	311	1	24	234	2,348
Noninterest Income	363	113	476	4	113	57	78	388	89	108	61	1,374
Total income	814	392	1,206	320	437	249	294	699	90	132	295	3,722
Loan loss expenses (income)	(11)	(52)	(63)	(15)	(4)	(68)	(121)	36	6	1	16	(212)
Total operating and other expenses	691	236	927	75	189	74	29	103	214	48	180	1,839
Profit (loss) before taxes	134	208	342	260	252	243	386	560	(130)	83	99	2,095
Provision for tax	46	71	117	89	86	83	132	192	12	20	22	753
Net income (loss) attributable to the Bank's shareholders	88	137	225	171	166	160	254	369	(142)	69	68	1,340

Balances as at March 31 2021												
Loans to the public, net	27,938	24,534	52,472	93,277	46,766	42,644	35,107	7,859	5,703	820	22,913	307,561
Deposits by the public	184,654	49,134	233,788	-	75,069	26,449	10,650	87,708	3	-	26,745	460,412

Condensed results of operations according to management approach (cont.)

	For the year ended December 31 2021											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	1,108	1,075	2,183	3,251	1,387	1,017	1,072	357	10	106	963	10,346
Inter-segmental	776	84	860	(1,893)	(20)	(312)	(137)	1,520	(2)	-	(16)	-
Interest Income, Net	1,884	1,159	3,043	1,358	1,367	705	935	1,877	8	106	947	10,346
Noninterest Income	1,439	460	1,899	18	468	241	326	1,009	333	969[(a)]	248	5,511
Total income	3,323	1,619	4,942	1,376	1,835	946	1,261	2,886	341	1,075	1,195	15,857
Loan loss expenses (income)	(33)	(263)	(296)	(137)	(119)	(240)	(39)	31	(21)	13	(4)	(812)
Total operating and other expenses	2,770	982	3,752	322	731	277	134	420	825	206	761	7,428
Profit (loss) before taxes	586	900	1,486	1,191	1,223	909	1,166	2,435	(463)	856	438	9,241
Provision for tax	200	308	508	407	418	311	399	833	81	216	102	3,275
Net income (loss) attributable to the Bank's shareholders	386	592	978	784	805	598	767	1,605	(544)	738	297	6,028

Balances as at December 31 2021												
Loans to the public, net	30,335	25,745	56,080	104,525	51,408	41,417	43,665	15,749	5,532	1,006	23,497	342,879
Deposits by the public	185,452	51,329	236,781	-	86,466	33,621	13,395	142,050	3	-	24,953	537,269

(a) Includes the revenues of Leumi Partners Ltd. for realized and unrealized gain totaling NIS 518 million from the shares of ironSource and Retailors.

Regulatory Operating Segments

For more information regarding the main operating segments, please see section entitled "Regulatory Operating Segments" in the 2021 Annual Financial Statements.

Summary of activities by regulatory operating segment

	For the three months ended March 31 2022										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest Income, Net	309	352	11	470	217	451	21	818	2	248	2,899
Noninterest Income	12	242	44	223	99	158	52	50	(3)	73	950
Total income	321	594	55	693	316	609	73	868	(1)	321	3,849
Loan loss expenses (income)	(7)	(48)	-	(16)	20	-	(2)	24	-	(11)	(40)
Total operating and other expenses	85	577	27	384	111	118	46	100	159	187	1,794
Profit (loss) before taxes	243	65	28	325	185	491	29	744	(160)	145	2,095
Provision for tax (benefit)	86	26	10	116	66	174	10	262	(308)	41	483
Net income attributable to the Bank's shareholders	157	39	18	209	119	317	19	489	148	94	1,609

Balance as at March 31 2022											
Loans to the public, gross	107,701	28,691	450[(a)]	60,338	37,399	105,229	9,058	-	-	24,899[(b)]	373,765
Deposits by the public	-	121,895	26,620	89,821	63,410	93,504	118,674	-	-	25,323[(c)]	539,247

Summary of activities by regulatory operating segment (cont.)

	For the three months ended March 31 2021										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest Income, Net	264	334	11	429	187	374	13	504	(2)	234	2,348
Noninterest Income	13	245	42	205	78	141	46	484	59	61	1,374
Total income	277	579	53	634	265	515	59	988	57	295	3,722
Loan loss expenses (income)	(20)	(12)	-	(43)	(41)	(136)	-	24	-	16	(212)
Total operating and other expenses	75	627	26	397	117	102	57	86	172	180	1,839
Profit (loss) before taxes	222	(36)	27	280	189	549	2	878	(115)	99	2,095
Provision for tax (benefit)	80	(15)	10	102	70	200	-	312	(28)	22	753
Net income (loss) attributable to the Bank's shareholders	142	(21)	17	178	119	349	2	573	(87)	68	1,340
Balance as at March 31 2021											
Loans to the public, gross	92,275	26,607	361[(a)]	53,466	31,412	83,293	2,009	-	-	23,330	312,753
Deposits by the public	-	123,090	26,154	81,102	54,584	72,039	76,698	-	-	26,745	460,412

(a) Including outstanding housing loans as at March 31 2022 in the amount of NIS 200 million, as at March 31 2021 – totaling NIS 130 million.
(b) Including balances classified as held-for-sale assets in the amount of NIS 19,187 million.
(c) Including balances classified as held-for-sale liabilities in the amount of NIS 22,536 million.

Summary of activities by regulatory operating segment (cont.)

	For the year ended December 31 2021										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest Income, Net	1,126	1,371	40	1,794	780	1,610	54	2,626	(2)	947	10,346
Noninterest Income	55	950	169	826	324	593	181	1,909	256	248	5,511
Total income	1,181	2,321	209	2,620	1,104	2,203	235	4,535	254	1,195	15,857
Loan loss expenses (income)	(141)	(44)	-	(240)	(143)	(201)	3	(42)	-	(4)	(812)
Total operating and other expenses	318	2,477	95	1,555	458	445	233	406	680	761	7,428
Profit (loss) before taxes	1,004	(112)	114	1,305	789	1,959	(1)	4,171	(426)	438	9,241
Provision for tax (benefit)	351	(38)	40	462	280	689	-	1,495	(106)	102	3,275
Net income (loss) attributable to the Bank's shareholders	653	(74)	74	843	509	1,270	(1)	2,777	(320)	297	6,028

Balance as at December 31 2021											
Loans to the public, gross	103,429	27,884	429[(a)]	57,527	34,534	93,927	5,824	-	-	23,837	347,391
Deposits by the public	-	120,483	25,965	86,888	60,874	90,223	127,883	-	-	24,953	537,269

(a) Including outstanding housing loans as at December 31 2021 in the amount of NIS 181 million.

Following are the main changes in the operating results of the regulatory segments:

Households segment

Net income attributable to shareholders in respect of the households' segment in the first quarter of 2022 totaled NIS 196 million, compared to NIS 121 million in the corresponding quarter last year. Most of the increase is attributed to interest income, loan loss income and a decrease in operating expenses.

Net interest income in the first quarter of 2022 totaled NIS 661 million compared to NIS 598 million in the corresponding quarter last year. In the first quarter of 2022, there was an increase in income from housing loans, mostly as a result of an increase in activity volume.

In the first quarter of 2022, loan loss income totaled NIS 55 million, compared to an income of NIS 32 million in the corresponding quarter last year. This quarter, loan losses are affected from first-time application of new accounting rules on current expected credit losses (CECL), as well the application of related directives on the topic by the Banking Supervision Department, which became effective on January 1 2022 and are not expressed in comparative results. Loan losses in the corresponding quarter last year were affected by the release of provisions as a result of the reopening of the Israeli economy and emerging from the coronavirus crisis, due to the rapid immunization process.

For additional details regarding current expected credit losses and additional directives of the Banking Supervision Department, see Note. 1.B.1.

Operating and other expenses for the first quarter of 2022 totaled NIS 662 million compared to NIS 702 million in the corresponding quarter last year. The decrease is mostly the result of a decrease in the provision for bonuses.

Outstanding loans to the public as at March 31 2022 totaled NIS 136.4 billion compared to NIS 131.3 billion as at the end of 2021. Most of the increase originates from an increase in the outstanding housing credit.

Balance of deposits by the public as at March 31 2022 totaled NIS 121.9 billion compared to NIS 120.5 billion as at the end of 2021.

Micro- and small-business segment

Net income attributable to shareholders in respect of the micro- and small-business segment in the first quarter of 2022 totaled NIS 209 million, compared to NIS 178 million in the corresponding quarter last year. Most of the increase is attributed to interest income, income from fees and commissions and a decrease in operating expenses. The latter was partially offset by a decrease in the loan loss income.

Net interest income in the first quarter of 2022 totaled NIS 470 million compared to NIS 429 million in the corresponding quarter last year. The growth stems mostly from an increase in credit.

Noninterest income in the first quarter of 2022 totaled NIS 223 million compared to NIS 205 million in the corresponding quarter last year. The increase resulted mainly from an increase in fees and commissions on exchange rate differentials and fees and commissions from account management.

In the first quarter of 2022, loan loss income totaled NIS 16 million, compared to NIS 43 million in the corresponding quarter last year. This quarter, loan losses are affected from first-time application of new accounting rules on current expected credit losses (CECL), as well the application of related directives on the topic by the Banking Supervision Department, which became effective on January 1 2022 and are not expressed in comparative results. Loan losses in the corresponding quarter last year were affected by the release of provisions as a result of the reopening of the Israeli economy and emerging from the coronavirus crisis, due to the rapid immunization process.

For additional details regarding current expected credit losses and additional directives of the Banking Supervision Department, see Note. 1.B.1.

Operating expenses for the first quarter of 2022 totaled NIS 384 million compared to NIS 397 million in the corresponding quarter last year. The decrease is mostly the result of a decrease in the provision for bonuses.

Outstanding loans to the public as at March 31 2022 totaled NIS 60.3 billion compared to NIS 57.5 billion as at the end of 2021.

Balance of deposits by the public as at March 31 2022 totaled NIS 89.8 billion compared to NIS 86.9 billion as at the end of 2021.

Mid-market segment

Net income attributable to shareholders in respect of the mid-market segment in the first quarter of 2022 totaled NIS 119 million, similarly to the corresponding quarter last year. The growth stems mostly from an increase in interest income and income from fees and commissions, which were offset by loan loss expenses in the quarter, compared with loan loss income in the corresponding quarter last year.

Net interest income in the first quarter of 2022 totaled NIS 217 million compared to NIS 187 million in the corresponding quarter last year. The growth stems mostly from an increase in credit.

Noninterest income in the first quarter of 2022 totaled NIS 99 million compared to NIS 78 million in the corresponding quarter last year. The increase resulted mainly from an increase in fees and commissions on exchange rate differentials, credit handling fees as well as contracts and fees and commissions from financing activities.

In the first quarter of 2022, loan loss expenses totaled NIS 20 million, compared to NIS 41 million of loan loss income in the corresponding quarter last year. This quarter, loan losses are affected from first-time application of new accounting rules on current expected credit losses (CECL), as well the application of related directives on the topic by the Banking Supervision Department, which became effective on January 1 2022 and are not expressed in comparative results. Loan losses in the corresponding quarter last year were affected by the release of provisions as a result of the reopening of the Israeli economy and emerging from the coronavirus crisis, due to the rapid immunization process.

For additional details regarding current expected credit losses and additional directives of the Banking Supervision Department, see Note. 1.B.1.

Outstanding loans to the public as at March 31 2022 totaled NIS 37.4 billion compared to NIS 34.5 billion as at the end of 2021.

Balance of deposits by the public as at March 31 2022 totaled NIS 63.4 billion compared to NIS 60.9 billion as at the end of 2021.

Corporate segment

Net income attributable to shareholders in respect of the corporate segment in the first quarter of 2022 totaled NIS 317 million, compared to NIS 349 million in the corresponding quarter last year. The decrease stems from loan loss expenses in the corresponding quarter last year, which were partially offset by an increase in interest income and fees and commissions.

Net interest income in the first quarter of 2022 totaled NIS 451 million compared to NIS 374 million in the corresponding quarter last year; the increase stems mostly from an increase in the real estate operations partially offset by a decline in credit spreads.

Noninterest income in the first quarter of 2022 totaled NIS 158 million compared to NIS 141 million in the corresponding quarter last year. The increase resulted mainly from an increase in fees and commissions on financing operations and handling of credit and contacts.

This quarter, loan losses are affected from first-time application of new accounting rules on current expected credit losses (CECL), as well the application of related directives on the topic by the Banking Supervision Department, which became effective on January 1 2022 and are not expressed in comparative results. Loan losses in the corresponding quarter last year were affected by the release of provisions as a result of the reopening of the Israeli economy and emerging from the coronavirus crisis, due to the rapid immunization process.

Outstanding loans to the public as at March 31 2022 totaled NIS 105.2 billion compared to NIS 93.9 billion as at the end of 2021.

Balance of deposits by the public as at March 31 2022 totaled NIS 93.5 billion compared to NIS 90.2 billion as at the end of 2021.

Financial management segment

Net income of the financial management segment in the first quarter of 2022 totaled NIS 489 million compared to NIS 573 million in the same quarter last year.

Net interest income in the first quarter of 2022 totaled NIS 818 million compared to NIS 504 million in the corresponding quarter last year. The increase stems mostly from the rise in CPI from one period to another.

Noninterest income in the first quarter of 2022 totaled NIS 50 million compared to NIS 484 million in the corresponding quarter last year; the decrease stems mostly from loss on derivatives, bonds and not-held-for-trading equity securities and held-for-trading equity securities. The losses are due to declines in market values which occurred during the in the first quarter of 2022, on the back of the increase in interest rates and the military confrontation between Russia and Ukraine

Other segment

Net income attributable to the “other” segment in the first quarter of 2022 totaled NIS 148 million, compared to a loss of NIS 87 million in the corresponding quarter last year. The change is mostly due to recording tax income from the merger transaction detailed under the section entitled “Major Investee Companies” below, and from finalizing tax assessments in respect of previous years, net of income from the sale of assets recorded in the corresponding quarter last year.

Major Investee Companies

As of the report's publication date, the Leumi Group is mainly active in Israel, through the Bank and subsidiaries which serve as financial services companies. In addition, the Group invests in non-financial corporations which do not engage in banking. For information regarding the merger of the US subsidiary with Valley and for information regarding an expected restructuring in Bank Leumi UK (BLUK), please see details later in this section, under "Consolidated Companies Outside Israel".

The Bank's total investments in investees (including in capital notes), as at March 31 2022, was NIS 13.3 billion, compared with NIS 13.3 billion as of December 31 2021, with the investee companies contributing NIS 196 million to the Group's net income in the first quarter of 2022, compared with NIS 177 million in the corresponding quarter last year.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 8,038 million as at March 31 2022, compared with NIS 7,998 million as at December 31 2021. The contribution of the consolidated companies in Israel to the Group's net income in the first quarter of 2022 was NIS 107 million, compared with NIS 69 million in the corresponding quarter last year.

Leumi Partners Ltd.

On July 19 2020, the Bank of Israel informed the Bank that regarding the group limit on non-financial investments, the Bank should follow the risk appetite to be set for that purpose, subject to assessment and challenging procedures to be executed by the lines of defense, including the Internal Audit Division and subject to meeting the non-financial investment limit, in accordance with Section 23A to the Banking Licensing Law.

For more information, please see the section entitled "Major Investee Companies" in the 2021 Financial Statements.

Sale of ironSource shares

On June 28 2021, Leumi partners sold 1,290,230 shares of ironSource Ltd. As part of a merger of ironSource with a SPAC and ironSource was listed on the NYSE. After completing the merger and selling its shares, Leumi Partners still holds 0.75 percent of ironSource's shares. These shares are contractually restricted for 6 months, which applies to ironSource's shareholders.

After the restriction expired, Leumi Partners sold some of its remaining ironSource shares.

In the first quarter of 2022, the Bank recorded a NIS 42 million loss before tax in respect of the shares sold and the revaluation of the remaining shares.

Consolidated Companies Outside Israel

The Bank's total investments (including in capital notes) in its foreign offices as of March 31 2022 was NIS 3,584 million, compared with NIS 3,625 million as at the end of 2021.

In the first quarter of 2022, the foreign offices' contribution to the Group's shekel net income was NIS 88 million, compared with NIS 107 million in the corresponding quarter last year.

For more information on lawsuits and other matters relating to the consolidated companies, please see Note 10.

Bank Leumi USA

On September 23, 2021, Bank Leumi Corporation (hereinafter - "BLC"), a US-based corporation (85 percent of which is held by the Bank), which wholly owns BLUSA, entered into a merger agreement with Valley National Bancorp (hereinafter - "Valley").

On April 1 2022, the merger transaction was completed.

Valley is a banking holding company, which holds Valley National Bank (hereinafter - "Valley Bank"). Valley Bank was founded in 1927.

Following the completion of the transaction and execution of the merger procedures, BLC was merged into Valley and BLUSA was merged into Valley Bank (hereinafter - the "**Merger Agreement**").

The proceeds of the transaction have been paid to the Bank in Valley shares (90 percent of the proceeds) and the rest - in cash. Once the transaction has been completed, the Bank holds 14.2 percent of Valley's share capital and is not a controlling shareholder; however, as of the report publication date, it is the largest shareholder in Valley.

It is noted that, as of this quarter, the investment in BLUSA is classified as a held-for-sale asset. As a result, as at March 31 2022, the balances of assets and liabilities of Bank Leumi USA (BLUSA) were classified separately, without classifying comparative results.

As of the second quarter of 2022, the Bank is expected to treat its investment in Valley using the equity method.

As a result of the merger, a profit of NIS 645 million, net of tax, will be recorded. Out of the said amount, a total of NIS 194 million was recorded in the quarter, and the balance will be recorded in the second quarter. The profit in this quarter stems primarily from the sale of BLUSA, for a total of NIS 174 million, and an income of NIS 20 million from derivatives activity, for economic hedging of the transaction.

The Bank believes that the transaction will improve the capital ratios by 0.5 percent. Most of the improvement will be reflected on April 1 2022, once the merger has been completed.

For more information, please see the immediate report dated September 23 2021 (Ref. No. 2021-01-080569), March 6 2022 (Ref. No. 2022-01-026329), and April 3 2022 (Ref. No. 2022-01-041695).

For more information, please see the section entitled “Main Changes in the Reporting Period”.

Bank Leumi UK (BLUK)

On March 8 2022, the Bank's board of Directors approved the recommendation of BLUK's board to implement a measure which includes returning BLUK's regulatory license, such that after the measure will have been completed, BLUK will be a credit provision company. To this end, BLUK will be merged into LABL (hereinafter – the "Merged Company"). The Merged Company will provide credit primarily in the fields of real estate, hotels and ABL, to customers in the UK and Europe, including Israeli customers active in these geographies.

The implementation of the move is contingent on several conditions, including – a final decision by BLUK's board of directors and LABL's board of directors, receiving a permit from the Bank of Israel, receiving the approval of the English regulator and meeting the requirements of English law to complete the move. As of the report publication date, some of the conditions' precedent have been fulfilled.

The move is not expected to have a material effect on the Bank' financial rsesults.

Risk Exposure and Management Thereof

The information in this chapter does not include all the information required in full annual financial statements, and this section should be read along with the detailed information provided in the Report of the Board of Directors and Management as at December 31 2021 and the 2021 Risk Management Report.

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 technological and cyber risks, regulatory risk, compliance risk, legal risk, reputational risk, strategic risk, model risk, environmental 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.

Credit Risks

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 accountability 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 adequacy of its loan loss provision to cover losses embodied in the credit 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 individuals; housing loans and leveraged credit; it also examines regularly the effect of the interest rate on the credit portfolio risk.

During the first quarter of 2022, adjustments were made to the credit risk management and risk appetite. There were no material changes in the corporate governance structure related to credit risk.

Impact of the coronavirus crisis on credit risk

Exposure to risks resulting from morbidity surges occurring from time to time is still possible, but is substantially lower in intensity compared with the onset of the crisis.

The sectors hardest hit by the crisis are still well behind in terms of their recovery rates compared to other economic sectors.

During the first quarter of 2022, the improvement trajectory in the labor market continued: the unemployment rate under the "broad" definition (which includes not only unemployed individuals but also employees who are temporarily absent from the work force due to the coronavirus, as well as employees who do not participate in the workforce and have been terminated as from March 2020) - which has been published by the Bureau of Statistics since the onset of the pandemic - is on the decline and in March 2022, totaled 5.3 percent, the lowest figure since the outbreak of the pandemic.

The unemployment rate under the ordinary definition (unemployed individuals) as of March 2022 totaled 3.2 percent, compared to 3.5 percent prior to the coronavirus crisis.

It should be noted that most business and private customers with deferred loans have resumed their regular payments.

The Bank continued to regularly monitor and follow up on risk focal points and market developments.

For more information, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31 2021 and the section entitled "Impact of the Coronavirus Crisis" in the "Main Developments in the Israeli Economy" chapter of the Report of the Board of Directors and Management.

Impact of the Russia-Ukraine crisis on credit risk

The military confrontation between Russia and Ukraine constitutes a factor that increases uncertainty in financial markets across the world, primarily in Europe; possible developments in the war may also impact the Israeli economy. As of now, the direct effect on Leumi's loan portfolio is minor.

For more information on this topic, please see the section entitled "Main Developments in the Israeli Economy" in the Report of the Board of Directors and Management.

As of January 1 2022, the Bank is applying, for the first time, new rules regarding loan loss provisions (CECL); as a result of applying the new rules, the Bank updated and adjusted the loan loss provision methodology, as outlined in Note 1.B.1. to the financial Statements.

The loan loss income in the first quarter of 2022 was NIS 40 million, of which an income of NIS 314 million of the loan loss income was attributed to the specific provision and a NIS 274 million expense - to the collective provision. A loan loss provision is an estimate based on significant judgment, which was exercised during the reporting period in a changing environment.

Due to the fact that the coronavirus pandemic may recur in surges, the uncertainty is still prevalent at this time, albeit at a lesser intensity compared with 2021. In early 2022, the fifth surge of morbidity began, featuring quick contraction and causing widespread morbidity in the Israeli population, as well as worldwide, primarily in China, which implemented a "zero Covid" policy. The strict restrictions in China harm its ongoing economic activity, creating delays in the global supply chain.

In addition, the continuation of the war between Russia and Ukraine and its global economic impacts contributed to the increase in inflation rates globally, and central banks around the world have begun to raise interest rates.

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

The loan loss provision methodology is comprised, inter alia, of past experience, a qualitative level - which includes a comprehensive framework for qualitative adjustments (Q factor) and macroeconomic forecasts, and naturally involves significant judgment.

Due to uncertainty currently prevalent in the markets, as outlined above, the provision may change - increase or decrease - in the future due to developments.

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

Changes in debt covenants as part of coping with the coronavirus crisis

The Bank has applied the coronavirus guidance of the Bank of Israel provided so far and adopted the unified outlines published by the Bank of Israel regarding changes in the loan terms, especially by way of loan deferment for private individuals and business customers; this guidance has expired.

As at March 31 2022:

The lion share of the outstanding amounts which are still under deferment (but not classified as troubled) is for a period of more than six months.

Approximately 90.0 percent of all frozen outstanding mortgages have resumed regular payments and approximately 1.8 percent of the outstanding mortgages are still frozen.

The Bank is monitoring the credit risk of its customers, especially those who have deferred their loan payments, in order to identify on time any credit deterioration, including potential exposure to loss. This is done both as part of the monitoring and identification processes of customers in the Bank's ongoing tracking lists and as part of special-purpose monitoring to identify customers with a higher potential of incurring damage as a result of the crisis.

For more information and details regarding developments in the credit portfolio and the qualitative indicators characterizing the portfolio, please see below in this section as well as in the Risk Management Report as at December 31 2021.

Outstanding debts in Israel the covenants of which were amended as part of dealing with the coronavirus from March 1 2020 to March 31 2022, which were not classified as restructuring of troubled debt following the deferment

				More information about outstanding loans to the public for which deferment was granted					More information about deferred debts by deferment period[b]		Debts whose deferment term has ended, as of the reporting date	
	Deferred debts as of the reporting date				Non-troubled debts				Non-troubled debts with accrued deferment		Outstanding loans to the public	Of which: in arrears of 30 days or more
	Outstanding loans for which payments were deferred	No. of loans[d]	Amount of payments effectively deferred	Troubled debts	Debts without credit performance rating	Outstanding performance rated loans in arrears of 30 days or more	Non-delinquent debts with credit performance rating	Total non-troubled debts	More than 3 months to 6 months	More than 6 months		
	In NIS million											
Corporations	336	37	43	281	-	-	55	55	-	55	798	-
Mid-sized businesses	208	47	64	26	-	-	182	182	9	162	2,046	-
Small- and micro-businesses	228	350	50	19	2	-	207	209	16	174	5,326	48
Private individuals - excluding housing loans	20	269	3	1	3	-	16	19	2	3	1,314	19
Housing loans	1,768	3,879	225	63	1,558	-	147	1,705	48	1,558	15,937	171
Total as at March 31 2022	**2,560**	**4,582**	**385**	**390[c]**	**1,563**	**-**	**607**	**2,170**	**75**	**1,952**	**25,421**	**238**
Total as at December 31 2021	3,131	5,934	436	390	1,961	3	777	2,741	174	2,324	27,003	483

(a) The deferment period is the cumulative period of deferments granted for a debt from the beginning of the coronavirus period and does not include deferment for which the borrower is eligible under any law.
(b) Of which: classified as non-performing debts in the amount of NIS 19 million.
(c) The number of loans is presented in units.

State-backed loans

Against the background of the coronavirus outbreak, the Bank signed agreements with the state (which were revised from time to time) for extending state-backed loans as part of the "Coronavirus Funds", the purpose of which is to aid businesses (small, mid-sized and large), which encounter cash flow difficulties as a result of the coronavirus crisis. The loan covenants were determined by the Ministry of Finance and are uniform for all types of borrowers.

The State and the Bank decided to extend the activity of the coronavirus fund (General Track and High-Risk Track), until April 30 2022.

Obtaining guarantees from the State has helped the Bank support the needs of its customers and positively contributed to the quality of the Bank's loan portfolio.

Information regarding state-backed credit granted as part of the handling of the coronavirus crisis

Customer classification	**Recorded outstanding debt as at March 31 2022**	Recorded outstanding debt as at December 31 2021
	In NIS million	
Small- and micro-businesses	**3,400**	3,636
Mid-sized businesses	**1,100**	1,190
Corporations	**277**	307
Total	**4,777**	5,133

Comments:
1. Customer classification is based on regulatory operating segments.
2. As of April 30 2022, the Bank extended loans to businesses totaling NIS 6.8 billion through the state-backed Business Loan Fund. Additionally, the Bank approved NIS 0.2 billion in loans which have yet to be withdrawn by customers.

For more information on this topic, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31 2021.

Credit risk and non-performing assets

	March 31 2022			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	267,682	105,502	26,932	400,116
Off-balance-sheet credit risk[(c)]	113,230	4,275	12,743	130,248
Less balances classified as held-for-sale assets[(d)]	(25,567)	(50)	(299)	(25,916)
Total credit risk in credit performance rating	355,345	109,727	39,376	504,448
Credit risk not in credit performance rating				
a. Non-troubled	2,342	1,892	1,272	5,506
b. Total troubled	4,923	570	626	6,119
Troubled performing[(f)]	2,800	52	439	3,291
Troubled non-performing[(f)]	2,123	518	187	2,828
Total on-balance-sheet credit risk	7,265	2,462	1,898	11,625
Off-balance-sheet credit risk[(c)]	1,235	-	209	1,444
Less balances classified as held-for-sale assets[(d)]	(1,499)	-	-	(1,499)
Total credit risk not in credit performance rating	7,001	2,462	2,107	11,570
Of which: Performing debts, in arrears of 90 days or more	33	-	48	81
Overall credit risk incl. of the public[(b)]	362,346	112,189	41,483	516,018

More information on non-performing assets				
a. Non-performing debts	2,123	518	187	2,828
b. Assets received for settled loans	12	-	-	12
Less balances classified as held-for-sale assets[(d)]	(281)	-	-	(281)
Total non-performing assets of the public	1,854	518	187	2,559
Percentage of non-performing loans to the public (NPL) out of total loans to the public[(e)]				0.76%

(a) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(b) On- and off-balance sheet credit risk, including for derivatives. Including debts, bonds, securities borrowed or purchased under purchase agreements.
(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
(d) For information regarding the held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16.B.
(e) Including balances classified as held-for-sale assets and liabilities. For more information regarding the held-for-sale operations, please see the section entitled “Main Changes in the Reporting Period” and Note 16.B.
(f) For more information about the first-time application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

Credit risk and non-performing assets (cont.)

	March 31 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	211,350	88,082	24,436	323,868
Off-balance-sheet credit risk[(d)]	91,167	3,358	12,005	106,530
Total credit risk in credit performance rating	302,517	91,440	36,441	430,398
Credit risk not in credit performance rating				
a. Non-troubled	3,366	3,723[(e)]	1,489	8,578
b. Total troubled	6,945	723	641	8,309
Troubled performing[(b)(f)]	3,977	700	432	5,109
Troubled non-performing[(f)]	2,968	23	209	3,200
Total on-balance-sheet credit risk	10,311	4,446	2,130	16,887
Off-balance-sheet credit risk[(d)]	930	-	193	1,123
Total credit risk not in credit performance rating	11,241	4,446	2,323	18,010
Of which: Performing debts, in arrears of 90 days or more[(b)]	63	698	32	793
Overall credit risk incl. of the public[(c)]	313,758	95,886	38,764	448,408

More information on non-performing assets				
a. Non-performing debts	2,968	23	209	3,200
b. Assets received for settled loans	4	-	-	4
Total non-performing assets of the public	2,972	23	209	3,204
Percentage of non-performing loans to the public (NPL) out of total loans to the public				1.02%

(a) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(b) Including for housing loans which are in arrears of 90 days or more, for which there is a provision based on the extent of arrears and housing loans for which there is no provision based on the extent of arrears.
(c) On- and off-balance sheet credit risk, including for derivatives. Including debts, bonds, securities borrowed or purchased under purchase agreements.
(d) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
(e) Following the coronavirus crisis, the Bank expanded the definition of non-performance credit risk for housing loans, such that it also include customers that were given deferment for more than six months and are still in the deferment period.
(f) Comparative results are presented in accordance with the new disclosure format; for more information about the first-time application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

Credit risk and non-performing assets (cont.)

	December 31 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	235,658	100,757	25,963	362,378
Off-balance-sheet credit risk[(d)]	107,020	3,724	12,282	123,026
Total credit risk in credit performance rating	342,678	104,481	38,245	485,404
Credit risk not in credit performance rating				
a. Non-troubled	2,236	2,302[(e)]	1,400	5,938
b. Total troubled	5,174	629	638	6,441
Troubled performing[(b)(f)]	2,806	609	433	3,848
Troubled non-performing[(f)]	2,368	20	205	2,593
Total on-balance-sheet credit risk	7,410	2,931	2,038	12,379
Off-balance-sheet credit risk[(d)]	1,220	-	212	1,432
Total credit risk not in credit performance rating	8,630	2,931	2,250	13,811
Of which: Performing debts, in arrears of 90 days or more[(b)]	284	609	48	941
Overall credit risk incl. of the public[(c)]	351,308	107,412	40,495	499,215

More information on non-performing assets				
a. Non-performing debts	2,368	20	205	2,593
b. Assets received for settled loans	9	-	-	9
Total non-performing assets of the public	2,377	20	205	2,602
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.75%

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

(b) Including for housing loans which are in arrears of 90 days or more, for which there is a provision based on the extent of arrears and housing loans for which there is no provision based on the extent of arrears.

(c) On- and off-balance sheet credit risk, including for derivatives. Including debts, bonds, securities borrowed or purchased under purchase agreements.

(d) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.

(e) Following the coronavirus crisis, the Bank expanded the definition of non-performance credit risk for housing loans, such that it also include customers that were given deferment for more than six months and are still in the deferment period.

(f) Comparative results are presented in accordance with the new disclosure format; for more information about the first-time application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

Change in Non-Performing Loans to the Public

Change in non-performing loans to the public[1]

	For the three months ended March 31 2022		
	Commercial	Private individuals[c]	Total
	In NIS million		
Outstanding balance of non-performing debts at the beginning of the period	2,368	225	2,593
Effect of first-time application of rules for identification and classification of troubled debts[a]	21	583	604
Balance of non-performing debts as at January 1 2022	2,389	808	3,197
Loans classified as non-performing debts during the period	263	159	422
Debts reclassified as performing	(89)	(113)	(202)
Written-off non-performing debts	(127)	(17)	(144)
Repaid non-performing debts	(319)	(132)	(451)
Adjustments from translation of financial statements	6	-	6
Less balances classified as held-for-sale assets[b]	(281)	-	(281)
Outstanding balance of non-performing debts at the end of the period	1,842	705	2,547

(a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.B.2.
(b) For information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.
(c) Including outstanding debts of private individuals - other and housing loans.

	For the three months ended March 31 2021[a]		
	Commercial	Private individuals[b]	Total
	In NIS million		
Outstanding balance of non-performing debts at the beginning of the period	3,213	266	3,479
Loans classified as non-performing debts during the period	224	92	316
Debts reclassified as performing	(95)	(60)	(155)
Written-off non-performing debts	(79)	(19)	(98)
Repaid non-performing debts	(319)	(48)	(367)
Adjustments from translation of financial statements	24	1	25
Outstanding balance of non-performing debts at the end of the period	2,968	232	3,200

(a) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(b) Including outstanding debts of private individuals - other and housing loans.

[1]Of which: Change in the restructuring of non-performing credit

	For the three months ended March 31 2022		
	Commercial	Private individuals[c]	Total
	In NIS million		
Outstanding balance of non-performing debts under restructuring at the beginning of the period	**1,728**	**185**	**1,913**
Effect of first-time application of rules for identification and classification of troubled debts[a]	**1**	**94**	**95**
Balance of non-performing debts under restructuring as at January 1 2022	**1,729**	**279**	**2,008**
Restructuring of non-performing debts carried out during the period	**67**	**78**	**145**
Restructured debt reclassified as performing	**(84)**	**(49)**	**(133)**
Written-off non-performing debts under restructuring	**(58)**	**(15)**	**(73)**
Repaid non-performing debts under restructuring	**(195)**	**(24)**	**(219)**
Adjustments from translation of financial statements	**3**	**-**	**3**
Less balances classified as held-for-sale assets[b]	**(152)**	**-**	**(152)**
Outstanding balance of non-performing debts under restructuring at the end of the period	**1,310**	**269**	**1,579**

(a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.B.1.
(b) For information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.
(c) Including outstanding debts of private individuals - other and housing loans.

	For the three months ended March 31 2021[a]		
	Commercial	Private individuals[b]	Total
	In NIS million		
Outstanding balance of non-performing debts under restructuring at the beginning of the period	1,904	187	2,091
Restructuring of non-performing debts carried out during the period	344	79	423
Restructured debt reclassified as performing	(80)	(41)	(121)
Written-off non-performing debts under restructuring	(33)	(12)	(45)
Repaid non-performing debts under restructuring	(137)	(22)	(159)
Adjustments from translation of financial statements	10	-	10
Outstanding balance of non-performing debts under restructuring at the end of the period	2,008	191	2,199

(a) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(b) Including outstanding debts of private individuals - other and housing loans.

Disclosure, Valuation, Classification and Rules for Loan Loss Provision

For loan loss expenses and classification of troubled debts, the Bank applies the Banking Supervision Department's directives, which became effective on January 1 2022 and adopt US GAAP for loan loss expenses (CECL) as well as additional specific directives regarding housing loans and additional revised directives of the same date on debt classification. According to the revised methodology, the loan loss provision is comprised both of a quantitative element and a qualitative element. As a rule, the Bank's estimates are based on past losses after adjustment due to credit characteristics, adjustment for current economic conditions and reasonable future forecasts. Depending on the credit portfolio, the quantitative components are based, inter alia, on net charge-offs, probability of default and loss given default. These estimates take into account several risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, current economic and expected conditions, etc. The Bank's estimates include assessments which reflect, inter alia, conditions of uncertainty and may naturally change from time to time. For more information on the application of the new accounting rules, please see Note 1.B.1.

Following is a breakdown of qualitative analysis indicators of loans to the public, expenses and loan loss provision

	March 31 2022[a]			
	Commercial	Housing	Private individuals - other	Total
	In %			
Analysis of quality of loans to the public				
Percentage of non-performing[c] loans to the public out of outstanding loans to the public	0.90	0.48	0.65	0.76
Percentage of non-performing[c] loans to the public or in arrears of 90 days or more out of outstanding loans to the public	0.91	0.48	0.81	0.78
Percentage of troubled loans to the public out of outstanding loans to the public	2.08	0.53	2.17	1.64
Credit risk not in credit performance rating out of outstanding loans to the public	3.07	2.28	6.57	3.11
Analysis of expenses (income) for loan losses for the reporting period[b]				
Percentage of loan loss expenses (income) for the public out of the average outstanding balance of loans to the public	-	(0.03)	(0.64)	(0.04)[e]
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	-	-	0.03	-[d]
Analysis of the loan loss provision in respect of loans to the public				
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	1.72	0.29	2.36	1.36
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	192.28	61.00	364.17	179.60
Percentage of balance of the loan loss provision for loans to the public out of outstanding non-performing[c] loans to the public or in arrears of 90 days or more	189.33	61.00	289.79	174.60
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[b]	-	-	85.15	634.88

(a) Including balances classified as held-for-sale assets and liabilities. For information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.
(b) Annualized.
(c) For more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(d) Rate of less than 0.01 percent.
(e) Including loan loss expenses for loans to the public, banks, governments and bonds.
(f) In NIS millions.

During the first quarter of 2022, there was an improvement in most indicators mentioned above. This was mainly due to a decline in morbidity, improvement in the state of the economy, the state of the labor market, and reopening of the market.
The Bank continues to closely and meticulously follow the developments in the state of the economy and health, and their possible implications for credit risks.

For more information on this topic, please see the section entitled "Credit Risks - Effect of the Coronavirus" above.

In addition, as from January 1 2022, the Bank applies the Banking Supervision Department's directives for loan loss expenses (CECL) as well as additional specific directives regarding housing loans and additional revised directives of the same date on troubled debt classification.
The comparative results represent the previous methodology of recording the provision for CECL; however, some are presented according to the new disclosure format of the Banking Supervision Department on identification and classification of performing and non-performing troubled debt (in lieu of impaired debts).

Following is a breakdown of qualitative analysis indicators of loans to the public, expenses and loan loss provision (cont.)

	March 31 2021[b]			
	Commercial	Housing	Private individuals - other	Total
	In %			
Analysis of quality of loans to the public				
Percentage of non-performing loans to the public out of outstanding loans to the public	1.53	0.02	0.78	1.02
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	1.57	0.78	0.90	1.28
Percentage of troubled loans to the public out of outstanding loans to the public	3.59	0.78	2.40	2.66
Credit risk not in credit performance rating out of outstanding loans to the public	5.32	4.81	7.98	5.40
Analysis of income for loan losses for the reporting period[a]				
Percentage of loan loss income for the public out of the average outstanding balance of loans to the public	(0.39)	(0.08)	(0.20)	(0.28)
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	(0.28)	0.01	0.05	(0.16)
Analysis of the loan loss provision in respect of loans to the public				
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	1.97	0.66	2.84	1.66
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	128.67	+[c]	363.16	162.25
Percentage of balance of the loan loss provision for loans to the public out of outstanding non-performing loans to the public or in arrears of 90 days or more	126.00	85.16	314.94	130.03
Percentage of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[b]	(751.77)	+[c]	+[c]	-[d]

(a) Annualized.
(b) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(c) Rate of more than 1,000 percent.
(d) Rate of less than (1,000) percent.

Following is a breakdown of qualitative analysis indicators of loans to the public, expenses and loan loss provision (cont.)

	December 31 2021[a]			
	Commercial	Housing	Private individuals - other	Total
	In %			
Analysis of quality of loans to the public				
Percentage of non-performing loans to the public out of outstanding loans to the public	1.10	0.02	0.73	0.75
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	1.23	0.61	0.90	1.02
Percentage of troubled loans to the public out of outstanding loans to the public	2.40	0.61	2.27	1.85
Credit risk not in credit performance rating out of outstanding loans to the public	3.44	2.83	7.26	3.56
Analysis of income for loan losses for the reporting period				
Percentage of loan loss income for the public out of the average outstanding balance of loans to the public	(0.32)	(0.15)	(0.16)	(0.25)
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	(0.06)	-[c]	0.07	(0.03)
Analysis of the loan loss provision in respect of loans to the public				
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	1.54	0.47	2.53	1.30
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	139.86	+[b]	346.83	174.01
Percentage of balance of the loan loss provision for loans to the public out of outstanding non-performing loans to the public or in arrears of 90 days or more	124.89	77.74	281.03	127.67
Ratio of outstanding loan loss provision for loans to the public out of net write-offs for loans to the public[d]	(29.57)	244.50	35.55	(50.13)

(a) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(b) Rate of more than 1,000 percent.
(c) Rate of less than 0.01 percent.
(d) In NIS millions.

Total Credit Risk to the Public by Economic Sector

	March 31 2022						
					Loan losses[c][i]		
	Total credit risk[a]	Of which: credit perfor-mance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-performing credit risk	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
For borrower activity in Israel - public-commercial							
Industry	31,352	30,739	478	109	(1)	(4)	(337)
Construction and real estate - construction[f]	88,422	87,839	375	72	32	2	(865)
Construction and real estate - real estate activity	43,357	42,906	209	136	37	(81)	(1,058)
Commerce	36,246	35,716	380	117	(7)	5	(411)
Financial services	51,341	51,308	33	20	-	(1)	(138)
Other sectors	53,372	51,543	1,573	714	(31)	38	(1,114)
Commercial - total	304,090	300,051	3,048	1,168	30	(41)	(3,923)
Private individuals - housing loans	112,163	109,701	570	518[h]	(7)	-	(317)
Private individuals - Other	41,363	39,260	646	186	(48)	2	(699)
Less balances classified as held-for-sale assets[g]	(234)	(234)	-	-	-	-	-
Total loans to the public - activity in Israel	457,382	448,778	4,264	1,872	(25)	(39)	(4,939)
Banks and governments in Israel	42,525	42,525	-	-	7	-	(24)
Less balances classified as held-for-sale assets[g]	(82)	(82)	-	-	-	-	-
Total banks and government in Israel	42,443	42,443	-	-	7	-	(24)
Total activity in Israel	499,825	491,221	4,264	1,872	(18)	(39)	(4,963)
For borrower activity outside Israel							
Total public - foreign operations - including balances classified as held-for-sale assets	85,817	81,352	2,825	1,145	(29)	41	(664)
Less balances classified as held-for-sale assets[g]	(27,181)	(25,682)	(717)	(281)	-	-	285
Total, public - activity outside Israel	58,636	55,670	2,108	864	(29)	41	(379)
Foreign banks and governments	59,627	59,626	-	-	7	-	(7)
Less balances classified as held-for-sale assets[g]	(2,296)	(2,296)	-	-	-	-	-
Total foreign banks and governments	57,331	57,330	-	-	7	-	(7)
Total activity outside Israel	115,967	113,000	2,108	864	(22)	41	(386)
Total activity in and outside Israel	615,792	604,221	6,372	2,736	(40)	2	(5,349)

(a) On- and off-balance sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets 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 367,227, 90,171, 2,882, 19,869 and 135,643 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under "other liabilities").
(d) On-balance sheet credit risk and off-balance-sheet credit risk that is non-performing, substandard or special mention.
(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) Including housing loans extended to certain purchasing groups currently in the process of construction.
(g) For information regarding the held-for-sale operations, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B.
(h) For more information about the first-time application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(i) Outstanding loan loss provision according to CECL - for more information, please see Note 1.B.1.

Total Credit Risk to the Public by Economic Sector (cont.)

	March 31 2021						
					Loan losses[c]		
	Total credit risk[a]	Of which: credit perfor-mance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-perfor-ming credit risk[g]	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
For borrower activity in Israel - public-commercial							
Industry	26,947	26,001	557	224	54	(2)	(496)
Construction and real estate - construction[f]	66,243	65,757	387	73	(27)	(33)	(485)
Construction and real estate - real estate activity	36,804	35,821	566	264	4	(12)	(426)
Commerce	32,148	31,171	896	174	(10)	(1)	(470)
Financial services	33,836	33,820	16	5	19	(4)	(265)
Other sectors	47,605	44,840	2,005	861	(250)	(108)	(1,113)
Commercial - total	243,583	237,410	4,427	1,601	(210)	(160)	(3,255)
Private individuals - housing loans	95,754	91,316	723	23	(20)	1	(613)
Private individuals - Other	38,364	36,044	653	208	(12)	3	(775)
Total loans to the public - activity in Israel	377,701	364,770	5,803	1,832	(242)	(156)	(4,643)
Banks and governments in Israel	41,817	41,816	-	-	-	-	-
Total activity in Israel	419,518	406,586	5,803	1,832	(242)	(156)	(4,643)
For borrower activity outside Israel							
Total, public - activity outside Israel	70,707	65,628	3,192	1,583	30	35	(988)
Foreign banks and governments	56,236	56,227	8	8	-	-	(3)
Total activity outside Israel	126,943	121,855	3,200	1,591	30	35	(991)
Total activity in and outside Israel	546,461	528,441	9,003	3,423	(212)	(121)	(5,634)

(a) On- and off-balance sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets 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 330,004, 82,847, 4,630, 12,979 and 116,001 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) Including for off-balance-sheet credit instruments (presented in the balance sheet under "other liabilities").
(d) On-balance sheet credit risk and off-balance-sheet credit risk that is performing, substandard or special mention.
(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) Including housing loans extended to certain purchasing groups currently in the process of construction.
(g) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

Total Credit Risk to the Public by Economic Sector (cont.)

	December 31 2021						
					Loan losses[c]		
	Total credit risk[a]	Of which: credit perfor-mance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-perfor-ming credit risk[g]	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
For borrower activity in Israel - public-commercial							
Industry	27,273	26,697	496	130	(1)	17	(417)
Construction and real estate - construction[f]	78,706	78,157	349	79	170	(28)	(682)
Construction and real estate - real estate activity	40,707	40,028	260	152	(2)	(66)	(468)
Commerce	32,951	32,496	394	126	(166)	14	(297)
Financial services	44,925	44,889	33	11	29	(8)	(268)
Other sectors	51,911	50,151	1,579	732	(597)	(137)	(814)
Commercial - total	276,473	272,418	3,111	1,230	(567)	(208)	(2,946)
Private individuals - housing loans	107,323	104,392	629	20	(141)	5	(489)
Private individuals - Other	40,133	37,890	653	204	(44)	20	(727)
Total loans to the public - activity in Israel	423,929	414,700	4,393	1,454	(752)	(183)	(4,162)
Banks and governments in Israel	34,854	34,854	-	-	-	-	(1)
Total activity in Israel	458,783	449,554	4,393	1,454	(752)	(183)	(4,163)
For borrower activity outside Israel							
Total, public - activity outside Israel	75,286	70,704	2,944	1,310	(60)	93	(819)
Foreign banks and governments	64,267	64,267	-	-	-	-	(2)
Total activity outside Israel	139,553	134,971	2,944	1,310	(60)	93	(821)
Total activity in and outside Israel	598,336	584,525	7,337	2,764	(812)	(90)	(4,984)

(a) On- and off-balance sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets 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 364,653, 82,568, 2,447, 13,811 and 134,857 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) Including for off-balance-sheet credit instruments (presented in the balance sheet under "other liabilities").
(d) On-balance sheet credit risk and off-balance-sheet credit risk that is non-performing, substandard or special mention.
(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) Including housing loans extended to certain purchasing groups currently in the process of construction.
(g) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

Activity and risk boundaries in the construction and real estate industry

The construction and real estate sector is an area of activity to which the Bank has a significant credit exposure. 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-industries.

Credit granted to the real estate sector is in line with the Bank's risk appetite, in accordance with supporting macroeconomic projections, strict underwriting, a stringent financing and supervision method, property collateral and adequate pricing.
As a result, and in an effort to continue being a dominant player in the industry, the Bank strives to make optimal and effective use of the internal and regulatory restrictions in this domain.

In the first quarter of 2022, the growth trend which characterized 2021 continued in terms of construction and real estate activity volumes, resulting in higher demand for business credit from the banking system and non-banking financing entities.

According to market trends, Leumi continues to proactively expand the real estate portfolio, focusing on the housing segment and selected financially resilient customers. In addition, the Bank is careful to maintain geographical diversification of the projects, according to demand and across the various sub-sectors.
The Bank closely monitors the real estate credit portfolio, while following macroeconomic trends and the development of the segment's risk characteristics.

Growth in the real estate credit portfolio at Leumi was accompanied by a certain increase in LTV on the back of the growing competition in the market. Most of the increase in the LTV was in the financing of residential land and projects and is explained, in some cases, by the increase in land prices in high-demand areas.

The total troubled credit risk in the construction and real estate sectors (in Israel) has been on the decline for some time, both in terms of amounts and relative share of the portfolio. In addition, its share of the portfolio is significantly lower than that of the troubled credit risk in the overall portfolio.

As of 2016, the Bank insures its guarantees portfolio in accordance with the Sales Law (Apartments).

These policies, which were purchased from global, high-rated reinsurers, insure the Bank against paying for the forfeiture of Sale Law guarantees, according to the terms and conditions of the policy. The Bank has not renewed the said policy for new projects as from January 1 2021 to March 31 2022; however, at the end of the first quarter of 2022, the Bank renewed the said policy, which retroactively insures Sale Law guarantees for projects provided during 2021.

As of December 31 2021, the Bank also insures a portion of its financial loan portfolio financing land, through global reinsurers with high credit ratings, which insure the Bank if an insured loan for land is not duly repaid.

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).

On December 27 2021, the Bank of Israel revised Proper Conduct of Banking Business Directive No. 315, which extends the easement provided by the temporary order[1] to the real estate and construction industry in the banking system, as follows:

- The exposure restriction to the real estate and construction industry was extended from 20 percent to 22 percent of the loan portfolio (excluding national infrastructure).
- The exposure restriction to the real estate and construction industry (including national infrastructure) was extended from 24 percent to 26 percent of the loan portfolio.

The easements will be in effect for a period of up to 24 months as of December 31 2025, provided that the rate of indebtedness shall not exceed the higher of: the rate as at December 31 2025 or the rate of the industry-specific restriction prior to the easement.

1 Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis dated January 10 2021.

- It was determined that credit for which eligible credit insurance was provided would be classified according to the insuring industry. Such that in order to measure the industry limitation, credit for real estate and construction covered by eligible credit insurance will be deducted from the indebtedness of the real estate and construction industry.

As of March 31 2022, the Bank complies with the regulatory and internal restrictions set out in the law, which are in line with the Bank's assessment of the risk embodied in the various sub-sectors. Nevertheless, due to the growth in the sector during the first quarter of 2022, the Bank is working on implementing a plan to reduce the concentration ratio in the sector.

According to the guidance of the Bank of Israel to the banking system, during October 2021, the Bank established criteria for high-risk transactions in the construction and real estate industry, which are monitored on a quarterly basis. It should be noted that at this stage, these transactions do not have a material effect on the quality of the Bank's construction and real estate credit portfolio. As part of the publication of the said guidance, the Bank examined the calculation of the collective provision in the third and fourth quarters of 2021 in the construction and real estate industries, and adjusted the provision so as to take into account a rapid growth in the loan portfolio.

On March 20 2022, as part of the decision to take additional regulatory measures, the Banking Supervision Department published a letter entitled "Increase in Credit Risk for the Construction and Real Estate Industry", which includes the following measures:

- Draft requirement to allocate further capital for financing land at high LTV ratios (LTV ratio of more than 75 percent). The draft directive proposes to add to the list of risk-weighted debts by 150 percent, loans intended for the purchase of land for development or construction purposes, at an LTV ratio of more than 75 percent, except for loans for the sale of agricultural land for which there is no planning horizon or intention to file an application for rezoning. As of the report publication date, this revision is a draft and its effective date has yet to be determined. The Bank is examining the questions arising from the said change and accordingly – their possible effect. The Bank is considering the questions arising from the change and their possible effect.
- Publishing of examples for credit underwriting and classification expected of banks. On May 18 2022, the Banking Supervision Department published a document featuring examples of credit underwriting and classification.
- Extension of the reporting to the construction and real estate industry – on May 3 2022, a final circular on the subject was published, effective as of September 30 2022.

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

For more information on activity and risk boundaries in the construction and real estate industry, please see the Section "Credit Risks" in the Report of the Board of Directors and Management as at December 31 2021.

Impact of the coronavirus crisis

About more than two years into the crisis, it may be said that the housing construction industry sustained less harm than other industries.
The relatively strong demand, stemming from the population growth, in addition to an ongoing shortage of residential units, mitigated the harm to the industry's activity, which - and after the first months of the crisis - even enjoyed a significant rise in demand.
The number of finished apartments continues to be lower than the ongoing demand, supporting continued pressure on price increases in the housing market.

In the commercial domain, during the lockdowns, mid-sized and large shopping centers sustained significant decline in income. Between lockdowns, and particularly since the end of the third wave, shopping centers are seeing increased activity, since Israelis are less inclined to travel abroad. Commercial centers prepared for online sales, which partially offset the effect of the restrictions. Looking forward, once the economy resumes full activity - and provided no significant restrictions are imposed due to morbidity rates that would delay the economy's recovery from the crisis - the assessment is that these centers will continue to recover, albeit at a slow pace, partly in light of the e-commerce trends, on the back of a significant expected increase in the supply of office space in the coming years.

The office market showed relative robustness during the crisis, sustaining moderate damage, compared to past crises, particularly in Tel Aviv. In the short-term, the impact was mainly on offices located in older properties that are let out to small businesses, which were hurt by the crisis. The moderate harm - which was mainly recorded in Tel Aviv - is affected by the high-tech industry, which led the demand for office space, with rapid increases in income and the number of employees; however, recovery in other office industries (such as business services, insurance and finance) is slower; accordingly, in areas which are not high-tech oriented, operational indicators have yet to recover to pre-coronavirus levels. In the coming years, extensive office space is expected to come into use, which may slow down price increases and reduce occupancy rates, especially outside high-demand areas.

For more information and details regarding the effect of the coronavirus crisis, please see the section entitled “Credit Risks” in the Report of the Board of Directors and Management as at December 31 2021.

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

	March 31		December 31	Change compared to December 31 2021	
	2022	2021	2021		
	In NIS million			In NIS million	In %
On-balance-sheet credit risk	**99,806**	76,365	90,905	8,901	9.8%
Guarantees for apartment buyers[a]	**8,418**	5,749	7,669	749	9.8%
Other off balance sheet credit risk[a]	**41,498**	36,473	37,872	3,626	9.6%
Total overall credit risk	**149,722**	118,587	136,446	13,276	9.7%

(a) In credit risk terms.

Following are the details on overall credit risk in the real estate and construction sector in Israel, according to the status of the property - the Bank

	March 31	December 31
	2022	2021
	Total credit risk[(a)]	
	In NIS million	
Secured by real estate collateral		
Real estate properties under construction:		
Undeveloped land	**27,344**	21,758
Real estate under construction	**41,540**	37,794
Of which: housing under construction:[(b)]		
Absorption capacity 0-29	**1,162**	874
Absorption capacity 30-39	**3,427**	2,821
Absorption capacity 40-74	**7,128**	8,166
Absorption capacity of 75 or more	**9,701**	9,664
Project starts	**6,776**	4,483
Finished real estate properties	**39,194**	36,173
Total credit secured by real estate properties in Israel	**108,078**	95,725
Not secured by real estate collateral in Israel	**23,209**	23,319
Total overall credit risk for construction and real estate in Israel	**131,287**	119,044

(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) 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.

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

	March 31	December 31
	2022	2021
	Total credit risk[(a)]	
	In NIS million	
Housing	**60,602**	51,195
Office space	**19,326**	17,249
Industry	**5,209**	4,691
Commerce and services	**22,941**	22,590
Total overall credit risk secured by real estate collateral in Israel	**108,078**	95,725

(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 the Bank Group's credit quality in the construction and real estate industries

	March 31 2022	December 31 2021	
	In NIS million		Change in %
Credit risk in credit performance rating			
Non-troubled Credit Risk	**147,319**	134,002	9.9
Credit risk not in credit performance rating			
Non-troubled	**1,160**	1,165	(0.4)
Troubled performing[(a)]	**698**	740	(5.7)
Non-performing[(a)]	**545**	539	1.1
Overall credit risk with no performance rating	**2,403**	2,444	(1.7)
Total	**149,722**	136,446	9.7

(a) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

Borrower Groups[1]

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

As of March 31 2022, the Bank meets the regulatory restrictions prescribed by the directive.

For more information about borrower groups, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31 2021.

1 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.

Exposure to Foreign Countries

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:

	March 31 2022		
	Exposure[(a)(b)]		
	On-balance-sheet	Off balance-sheet[(c)]	Total
	In NIS million		
USA	36,891	8,222	45,113
UK	23,380	11,689	35,069
France	3,258	2,334	5,592
Switzerland	1,228	3,033	4,261
Germany	7,375	2,249	9,624
Other	23,388	4,936	28,324
Total exposure to foreign countries[(g)]	95,520	32,463	127,983
Of which: total exposure to GIPS countries[(d)]	455	273	728
Of which: total exposure to LDC countries[(e)]	1,339	1,179	2,518
Of which: total exposure to countries with liquidity issues[(f)]	215	35	250

	March 31 2021		
	Exposure[(a)(b)]		
	On-balance-sheet	Off balance-sheet[(c)]	Total
	In NIS million		
USA	28,129	6,399	34,528
UK	17,649	8,422	26,071
France	2,982	2,139	5,121
Switzerland	1,452	1,920	3,372
Germany	3,843	1,564	5,407
Other	26,606	2,797	29,403
Total exposure to foreign countries	80,661	23,241	103,902
Of which: total exposure to GIPS countries[(d)]	1,127	245	1,372
Of which: total exposure to LDC countries[(e)]	1,331	959	2,290
Of which: total exposure to countries with liquidity issues[(f)]	168	22	190

Please see comments below.

Exposure to Foreign Countries (cont.)

	December 31 2021		
	Exposure[a][b]		
	On-balance-sheet	Off balance-sheet[c]	Total
	In NIS million		
USA	36,853	8,329	45,182
UK	19,793	10,971	30,764
France	1,887	2,355	4,242
Switzerland	2,455	2,303	4,758
Germany	3,262	1,501	4,763
Other	23,773	4,637	28,410
Total exposure to foreign countries	88,023	30,096	118,119
Of which: total exposure to GIPS countries[d]	608	300	908
Of which: total exposure to LDC countries[e]	1,331	1,161	2,492
Of which: total exposure to countries with liquidity issues[f]	208	50	258

(a) Exposure to foreign countries is presented based on the final risk.
(b) On-balance-sheet and off-balance-sheet credit risk, troubled commercial credit risk and non-performing debts are stated before the effect of the loan loss provision and the effect of collaterals that are deductible for the purpose of specific and general indebtedness of a borrower and a group of borrowers and before the effect of bilateral offsetting for derivatives.
(c) Credit risk for off-balance-sheet financial instruments as calculated for the purpose of per-borrower credit indebtedness limitations, before the effect of netting for derivatives.
(d) Exposure to the GIPS countries includes: Greece, Italy, Portugal, and Spain.
(e) 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.
(f) 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 12 countries (as at March 31 2021 - 11 countries; as at December 31 2021 - 14 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.
(g) Includes off-balance-sheet balances totaling NIS 1,823 million and off-balance-sheet balances of NIS 4,803 million in respect of held-for-sale assets.

Part B - As at March 31 2022, March 31 2021 and December 31 2021, there is no aggregate balance sheet exposure to foreign countries, the total exposure to each of which ranges between 0.75 percent and 1 percent of total consolidated assets or between 15 percent and 20 percent of equity, whichever the lower.

Credit Exposure to Foreign Financial Institutions

Credit exposure to foreign financial institutions relates to banks, investment banks, brokers/dealers, insurers and institutional entities.

The Bank closely monitors the position of banks worldwide and frequently analyzes their financial robustness. The Bank maintains a shortlist of high-quality banks to which it has collective credit exposures.

The geopolitical events, as well as the measures taken by central banks across the world, may impact the financial position of financial institutions with which the Bank cooperates. The Bank monitors the financial position of the foreign financial institutions, as part of the management of its exposure to foreign financial institutions and is adjusting its exposure thereto in accordance with the changes in the risk environment.

Credit exposure to foreign financial institutions[a]

	As at March 31 2022[e]		
	On-balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	**23,236**	**1,133**	**24,369**
A- to A+	**10,185**	**1,194**	**11,379**
BBB- to BBB+	**204**	**172**	**376**
B- to BB+	**31**	**24**	**55**
Lower than: B-	**11**	**-**	**11**
No credit rating	**107**	**-**	**107**
Total current credit exposure to foreign financial institutions[f]	**33,774**	**2,523**	**36,297**

	As at March 31 2021[e]		
	On-balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	27,199	598	27,797
A- to A+	6,364	860	7,224
BBB- to BBB+	601	163	764
B- to BB+	79	10	89
No credit rating	168	-	168
Total current credit exposure to foreign financial institutions	34,411	1,631	36,042

	As at December 31 2021[e]		
	On-balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	25,761	792	26,553
A- to A+	5,701	1,128	6,829
BBB- to BBB+	168	166	334
B- to BB+	15	18	33
No credit rating	94	-	94
Total current credit exposure to foreign financial institutions	31,739	2,104	33,843

(a) Foreign financial institutions include the following: banks, investment banks, brokers/dealers, insurers and institutional entities.
(b) Deposits with banks, loans to the public, securities borrowed or purchased under reverse repurchase agreements, other assets in respect of derivatives (fair value of derivatives), and investments in bonds, including subordinated bonds of banks in March 31 2022 in the amount of NIS 576 million (as at March 31 2021 - NIS 597 million and as at December 31 2021 - NIS 597 million).
(c) Mainly guarantees and commitments to extend credit (excluding off-balance-sheet derivatives).
(d) The Bank uses ratings of well-known rating agencies (ECAIs).
(e) As of March 31 2022, March 31 2021, and December 31 2021, there is no troubled credit risk vis a vis foreign financial institutions.
(f) Including balances of held-for-sale assets in the amount of NIS 197 million.

Comments:
1. The credit exposures do not include investments in asset-backed securities (for more information, please see Note 5).
2. Some of the banks received various forms of government support, including by way of direct equity investment, government guarantees for certain asset portfolios, guarantees for raising funds for the banks, etc.
3. For more information regarding the composition of credit exposures for derivatives with banks and brokers/dealers (local and foreign), please see Note 11.

Housing Loans Portfolio Risks

Credit risk developments

Economic developments in Israel in recent years (a low interest environment, the affordable housing program, and an increase in housing prices) have led to a significant increase in housing credit provision, both for housing and investment purposes.
The housing loan portfolio is monitored and the trends in its characteristics and risk centers analyzed on a regular basis. The Bank also extends individual housing loans to members of housing purchase groups.

During Q1 2022, new housing loan performance in Israel increased compared with the same quarter last year due to demand for housing loans in Israel - both to purchase homes and credit for investing.

Performance of new loans and refinancing loans for the purchase of residential apartments and mortgaging of residential apartments in Israel

	For the three months ended March 31		Rate of change
	2022	2021	
	In NIS million		In %
By the Bank	**7,747**	5,231	48.1
By the Government of Israel	**30**	39	(23.1)
Total new loans	**7,777**	5,270	47.6
Old recycled loans, from the Bank's funds	**903**	336	168.8
Total performance	**8,680**	5,606	54.8

The average loan extended by the Bank in Q1 2022 was NIS 971 thousand, compared to NIS 900 thousand in 2021 and NIS 774 thousand in 2020.

Regulatory changes

On January 31 2022, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive No. 451 aimed at increasing the transparency of information for customers and improving the competitive environment in the mortgage market.

- On pre-approval, a banking corporation is required to provide customers with 3 uniform tracks and an additional "suggested track" - a track that is recommended to the customer.
- Banking corporations are not required to present uniform tracks for all-purpose loans secured by residential properties if the loan is not intended to purchase real estate rights, and for housing loans that are not secured by residential properties (such as home-improvement loans), provided the loan period is less than 10 years.
- Banking corporations are required to provide customers with an online calculator to enable them to run loan scenarios for various amounts and periods.
- Banking corporations are required to notify customers in writing whether or not their application has been approved up to 5 working days from the date on which the loan application was submitted. In unusual cases, where loans are predefined in a banking corporation's credit policy, preapproval will be provided within 7 working days, and customers will be informed about the delay and reasons thereto.
- The directive determined the type of information a banking corporation is required to present in its app, but customers which do not use digital channels should be informed in writing.
- Uniform rules have been set to calculate the "overall expected interest" in the banking system.

The Bank is preparing to implement the revised directive. The revision will enter into force on August 31 2022.

Impact of the coronavirus crisis

The government aid programs supported households adversely affected by the coronavirus crisis.

Most mortgage borrowers with deferred loans have resumed their regular payments at this stage.

In addition, the temporary orders published by the Bank of Israel - which included regulatory expedients - have expired.

For more information and details regarding the effect of the coronavirus crisis, please see under Credit Risk at the beginning of this chapter, as well as under the same section in the Report of the Board of Directors and Management as at December 31 2021.

Development of total outstanding housing loans in Israel, net

	Outstanding loans portfolio	Rate of change
	In NIS million	In %
December 31 2020	89,594	7.0
December 31 2021	103,109	15.1
March 31 2022	**107,572**	**4.3**

In 2020 and 2021, there was an increase in the extent of housing credit, inter alia, due to the rallying of the real estate market as a result of the maturing of affordable housing projects and partial recovery of investments. Growth continued in the first quarter of 2022.

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).

Development of the outstanding housing loans portfolio based on linkage bases and as a percentage of the Bank's outstanding loans portfolio

	Non-linked segment				CPI-linked segment				Foreign currency segment		
	Fixed interest		Variable interest		Fixed interest		Variable interest		Variable interest		
	Balance in NIS million	Per-cent-age of the loans port-folio	Balance in NIS million	Per-cent-age of the loans port-folio	Balance in NIS million	Per-cent-age of the loans port-folio	Balance in NIS million	Per-cent-age of the loans port-folio	Balance in NIS million	Per-cent-age of the loans port-folio	Total loans portfolio, in NIS million
December 31 2020	18,904	21.2	36,380	40.6	14,077	15.7	19,658	21.9	575	0.6	89,594
December 31 2021	23,325	22.6	42,655	41.4	15,203	14.7	21,440	20.8	486	0.5	103,109
March 31 2022	**24,926**	**23.2**	**44,815**	**41.7**	**15,303**	**14.2**	**22,045**	**20.5**	**483**	**0.4**	**107,572**

Development of new housing loans by interest track, in Israel

The following table outlines the development of the new credit performance by variable and fixed interest tracks (a variable-interest loan's interest rate may change over the loan period):

	2022	2021				2020
	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance					
	In %					
Fixed - linked	**9.2**	11.0	12.4	16.0	16.2	16.7
Variable every 5 years or more - linked	**16.9**	17.1	16.0	15.9	17.0	18.5
Variable up to 5 years - linked	**-**	-	-	-	-	-
Fixed - non-linked	**32.4**	30.3	27.3	26.5	28.8	29.5
Variable every 5 years or more - non-linked	**1.3**	1.3	1.5	1.6	1.7	3.1
Variable up to 5 years - non-linked	**40.0**	40.1	42.6	39.9	36.3	32.2
Variable - Foreign currency	**0.2**	0.2	0.2	0.1	-	-

The percentage of new variable-interest housing loans granted by the Bank during the first quarter of 2022 was 58.4 percent, compared to 57.9 percent during 2021. The data refer to all variable interest tracks and the various linkage segments, including loans in which the interest rate changes every 5 years or more. Excluding loans in which the variable interest rate changes every 5 years or more - which do not qualify as a variable interest loan under the Banking Supervision Department's directive - the percentage of variable-rate housing loans extended during the reporting period was 40.2 percent compared to 39.9 percent in 2021.

Following is a balance of the housing loans portfolio, balances in arrears of over 90 days, and non-performing debts in Israel[(a)]

	Recorded outstanding debt	Amount in arrears or non-performing	Percentage of recorded outstanding debt
	In NIS million		In %
December 31 2020	90,228	720	0.80
December 31 2021	103,599	609	0.59
March 31 2022	**107,888**	**518**	**0.48**

(a) For more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

As of March 31 2022, the outstanding loan loss provision, which includes the collective provision for housing loans (hereinafter - the “collective provision”), is NIS 316 million, constituting 0.29 percent of the housing loans’ outstanding balance, compared with NIS 489 million as at December 31 2021, which constitutes 0.47 percent of the outstanding housing loan balance.

Out of the total change in the balance of loan loss provision, a NIS 166 revenue was stated in equity in respect of first-time application of the CECL provisions.

For more information regarding first-time application of the CECL provisions, please see Note 1.B.1.

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

Following is the development in new credit granted by the Bank at an LTV ratio of over 60 percent, (LTV ratio is the ratio of the total loan granted to the borrower - even if it has not yet been granted in effect either in full or in part - out of the value of the pledged property during the approval of the credit facility):

	2022	2021				2020
	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio	In %[(a)]					
Over 60 and up to 70, inclusive	**23.2**	21.7	21.8	22.4	20.7	19.7
Over 70 and up to 75, inclusive	**25.4**	23.2	24.3	23.6	21.5	19.1
Over 75	**0.2**	0.1	0.1	0.1	0.2	0.2

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

Development of the loan-to-value (LTV) ratio, outstanding loans portfolio in Israel

The average LTV of the outstanding loan portfolio as at March 31 2022 stands at 47.4 percent, similar to that of 2021.

Development of new loans, in which the repayment ratio is lower than 2.5, in Israel

Repayment ratio is defined as the ratio between the monthly available income and the monthly repayment amount.
In Q1 2022, the percentage of loans with a repayment ratio of less than 2.5 on the loan approval date was 0.27 percent of total number of new loans granted compared with 0.29 percent in 2021.
The calculation is in accordance with the Bank of Israel’s Reporting Directive No. 876.

Development of new loans, for which the loan term is longer than 25 years, in Israel

In Q1 2022, the percentage of new housing loans in which the loan terms under the loan agreements are longer than 25 years, stood at an average of 42.6 percent of the total new loans, compared with an average of 39.5 percent in 2021.

For more information, please see the section entitled “Credit Risks” in the Report of the Board of Directors and Management as at December 31 2021.

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 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 Bank extended and boosted the ongoing monitoring of its entire consumer credit portfolio, while adhering to strict underwriting, there is ongoing monitoring at the individual borrower and aggregate level, based, inter alia, on an internal set of indicators.

Impact of the coronavirus crisis

The government aid programs supported households adversely affected by the coronavirus crisis. Government support on the back of the coronavirus crisis has been terminated.

For more information and details regarding the effect of the coronavirus crisis, please see under Credit Risk at the beginning of this chapter.

Developments in outstanding total credit risk (excluding derivatives) for loans granted to private individuals (in Israel, excluding housing loans)

	Balance of credit risk
	In NIS million
December 31 2020	43,108
December 31 2021	40,121
March 31 2022	**41,351**

Distribution of on-balance-sheet credit risk (excluding derivatives) for loans to private individuals, by term to maturity (in Israel, excluding housing loans)

	March 31 2022		December 31 2021	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	**4,820**	**17.0**	4,785	17.3
Over one year to 3 years	**5,238**	**18.4**	5,253	19.0
Over 3 years to 5 years	**7,987**	**28.1**	7,983	28.9
Over 5 years to 7 years	**5,876**	**20.7**	5,396	19.5
Over 7 years	**2,192**	**7.7**	2,023	7.3
No repayment term[(a)]	**2,310**	**8.1**	2,219	8.0
Total	**28,423**	**100.0**	27,659	100.0

(a) The amount includes outstanding overdrafts in current accounts and outstanding loans in arrears.

Distribution of the total credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals, by individual borrower's indebtedness (in Israel, excluding housing loans)

Credit risk amount in NIS thousands		March 31 2022		December 31 2021	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	6,220	15.0	6,122	15.2
25	50	6,075	14.7	5,957	14.8
50	75	5,166	12.5	5,078	12.7
75	100	4,176	10.1	4,058	10.1
100	150	6,521	15.8	6,337	15.8
150	200	4,650	11.3	4,469	11.2
200	300	4,817	11.6	4,482	11.2
Over 300		3,726	9.0	3,618	9.0
Total overall credit risk		41,351	100.0	40,121	100.0

Following is a distribution of the total credit risk (excluding derivatives) for loans granted by the Bank to private individuals, by main credit products (in Israel, excluding housing loans)

	March 31 2022		December 31 2021	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	6,035	14.7	5,782	14.4
Car purchase loans (secured)	1,334	3.2	1,305	3.3
Other loans	21,054	50.7	20,572	51.3
Total on-balance-sheet credit risk	28,423	68.6	27,659	69.0
Unutilized current account credit facilities	7,003	17.0	6,948	17.3
Unutilized credit card facilities	5,567	13.5	5,265	13.1
Other off-balance-sheet credit risk	358	0.9	249	0.6
Total off-balance-sheet credit risk	12,928	31.4	12,462	31.0
Total overall credit risk	41,351	100.0	40,121	100.0

Distribution of on-balance-sheet credit risk (excluding derivatives) for loans granted by the Bank to private individuals, by linkage segment and interest track (in Israel, excluding housing loans)

	March 31 2022				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans	27,307	36	84	27,427	96.5
Fixed interest loans	953	15	28	996	3.5
Total on-balance-sheet credit risk	28,260	51	112	28,423	100.0

Following is a distribution of the on-balance-sheet credit risk (excluding derivatives) for loans granted by the Bank to private individuals, by linkage segment and interest track (in Israel, excluding housing loans) (cont.)

	December 31 2021				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans	26,245	37	64	26,346	95.3
Fixed interest loans	1,282	16	15	1,313	4.7
Total on-balance-sheet credit risk	27,527	53	79	27,659	100.0

Balances of the financial assets' portfolio of private individuals with the Bank, with an overall credit risk (in Israel, excluding housing loans)

	March 31 2022	December 31 2021
	In NIS million	
Deposits by the public	**98,600**	96,857
Securities portfolios	**57,042**	58,478
Total financial asset portfolio	**155,642**	155,335
Total indebtedness to customers with financial asset portfolios	**30,806**	30,493

Distribution of on-balance-sheet credit risk (excluding derivatives) for loans granted by the Bank to private individuals, by fixed income amount[a] (in Israel, excluding housing loans)

	March 31 2022		December 31 2021	
Level of income	In NIS million	In %	In NIS million	In %
Accounts without fixed income	**2,663**	**9.4**	2,586	9.4
Of which: loan accounts[b]	**1,780**	**6.3**	1,732	6.3
Less than NIS 10 thousand	**6,791**	**23.9**	6,891	24.9
More than NIS 10 thousand and less than NIS 20 thousand	**9,908**	**34.8**	9,628	34.8
NIS 20 thousand or more	**9,061**	**31.9**	8,554	30.9
Total	**28,423**	**100.0**	27,659	100.0

(a) The fixed income amount deposited in a customer's current account (by ID number) includes fixed credits to the customer's account, such as salary, transfers from other banks or bank accounts, cash deposits, checks, etc. The fixed monthly income is calculated according to the average income on several consecutive months, less exceptional credits.

(b) A loan account is an account whose only purpose is to repay a loan, while most of the customer's current account activity takes place in another bank.

As aforesaid, the Bank's credit policy towards private individuals is based on a borrower's repayment capacity in relation to his/her income. As a result, over 90 percent of on-balance-sheet credit is from fixed-income earners.

Distribution of on-balance-sheet credit risk (excluding derivatives) in respect of loans granted by the Bank to private individuals (in Israel, excluding housing loans)

	March 31	December 31
	2022	2021
	In NIS million	
Non-troubled credit	**27,798**	27,022
Troubled performing loans[(a)]	**439**	433
Troubled non-performing loans[(a)]	**186**	204
Total on-balance-sheet credit risk	**28,423**	27,659
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	**2.2%**	2.3%
Charge-offs, net (for the period ended)	**2**	20
Balance of loan loss provision	**681**	716

(a) For more information about the first-time application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2; comparative results are presented in accordance with the new disclosure format.

For more information, including regarding troubled debt and loan loss expenses, please see Note 6, Note 13, and the section entitled "Risk Exposure", "Credit Risk", under the "Total Credit Risk to the Public by Economic Sector". And in the Credit Risks section in the Report of the Board of Directors and Management as at December 31 2021.

Proper Conduct of Banking Business Directive regarding management of consumer credit

The Bank has completed the implementation process of Directive No. 311A regarding management of consumer credit, which includes, inter alia, the work processes between the Bank and its customers relating to credit marketing efforts.

For more information, please see Laws and Regulations Governing the Banking System in the Corporate Governance Report as at December 31 2021.

For more information about this segment, please see under "Credit Risks" in the Report of the Board of Directors and Management as at December 31 2021.

The Bank's Exposure to Leveraged Loans

According to Proper Conduct of Banking Business Directive No. 311, the Bank's credit policy should also address leveraged financing. The Bank's credit policy for this segment is subject to unique principles, including with respect to financial criteria, credit authorizations, etc.

For more information, please see the Report of the Board of Directors and Management as at December 31 2021.

Outstanding aggregated credit granted to leveraged borrowers

	March 31						December 31		
	2022			2021			2021		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
Economic sector	In NIS million								
Commerce	-	-	-	203	8	211	-	-	-
Transportation and storage	**868**	**46**	**914**	370	2	372	765	37	802
Hotels, accommodation and food services	**558**	**59**	**617**	621	9	630	557	122	679
Construction and real estate	**103**	**347**	**450**	779	245	1,024	107	380	487
Financial services and insurance services	**238**	-	**238**	66	151	217	244	101	345
Water supply, sewage services, waste and garbage treatment and purification services	**263**	-	**263**	275	-	275	265	-	265
Provision of power, gas, steam and air conditioning	**5**	**519**	**524**	1	219	220	2	299	301
Total	**2,035**	**971**	**3,006**	2,315	634	2,949	1,940	939	2,879

For more information, please see the Report of the Board of Directors and Management as at December 31 2021.

Market Risks

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 Directive 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.

During the first quarter of 2022 there were no material changes in the corporate governance structure, policy and market risk management framework.

During the coronavirus crisis, there was an increase in the volatility level of risk factors in financial markets. The Federal Reserve explained the principles of the interest rate normalization trajectory in the high inflation environment and the threats and expected impacts of the war between Russia and Ukraine. The high degree of uncertainty in the equity markets continues, and volatility may go on and even worsen.

The world's leading central banks have begun to wind down their quantitative easing and their intervention in the bond and interest markets; they suggest that this process may be significantly faster than similar measures taken in the past.

The sharp rise in NIS and USD bond returns led to a sharp decrease in the unrealized gain in respect of the available-for-sale portfolio and to recording a negative capital reserve concurrently with a sharp decrease in the value of actuarial liabilities.

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

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.

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

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, as well as reports on unusual events.

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.

In 2016, the Bank received individual approval from the Bank of Israel, for capital adequacy measurement purposes, to discount the employee benefit liabilities according to an eight-quarter moving average of market yields, which are affected by the Government of Israel's bond curve and by the U.S. AA corporate bond spread. The approval significantly moderated the volatility of the regulatory capital resulting from changes in the discount rate of the pension liability. The approval is valid until December 31 2024.

The sharp increase in the discount rate recorded in the first quarter of 2022 led to a decrease in the value of the employee pension liability.

Against part of the actuarial liability, there is an investment in plan assets, which is designed to service that obligation, through investment in diversified assets such as equity securities and bonds. The investment is subject to regulatory restrictions and restrictions prescribed by the funds managing the plan assets.

For quantitative information regarding market risks, please see section entitled "Market Risks" in the Risk Management Report as at March 31 2022.

For an analysis of the changes in other comprehensive income, please see the section entitled "Material Developments in Income, Expenses and Other Comprehensive Income" in the Report of the Board of Directors and Management.

Interest Rate Risk

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. 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.

Exposure to interest rate changes is measured both for an increase and decrease of interest 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, with more frequent measurements being made for exposure management purposes.

For more information, please see the section entitled Interest Rate Risk, please see the Risk Management Report as at December 31 2021.

Discontinuation of LIBOR

In March 2021, the British Financial Conduct Authority (FCA) officially announced the discontinuation of all LIBORs as of the end of 2021, with the exception of the dollar LIBOR, which will be discontinued in June of 2023.

On October 3 2021, the Banking Supervision Department published the Proper Conduct of Banking Business Directive No. 250A, LIBOR transition. The directive outlines principles for implementing the transition from LIBOR to alternative base interest rates, in order to ensure proper preparation, while addressing the potential risks embodied in the transition. In addition, the directive addresses aspects of fairness and disclosure required vis-a-vis customers. The directive covers both current agreements and new agreements.

When selecting the new interest base rates and adopting the alternative calculation methods, the Bank took into account the recommendations of the committees and work groups for the various currencies, including the International Swaps and Derivatives Association (ISDA) and fairness considerations. The Bank updated the relevant customers regarding the expected change, and posted it on its website. As of January 2022, the Bank is transitioning to the new base rates for each of the relevant currencies, on the next interest rate change date, and continues its preparations, inter alia, for the discontinuation of the USD LIBOR.

For more information, please see Note 1.Y. in the financial statements as at December 31 2021.

The transition to the new base rates may affect the value of various products, such as: interest rate derivatives, bonds, various types of credit, etc., affecting, in turn, the profits of the banking corporation and its exposures. According to assessments made by the Bank, the Bank has no material on-balance-sheet exposure to the products' contracts that are based on LIBOR beyond the publication dates of the LIBOR interest rate.

In January 2021, the FASB published ASU 2021-01, Reference Rate Reform: Scope, which expands expedients in respect of the effects of the interest rates reform on financial reporting, according to Topic 848, such that it also includes derivatives affected by the Reference Rate Reform, even if the derivatives do not bear LIBOR or another reference interest rate which is expected to be cancelled. The Bank is considering the application of the offered expedients in relevant contracts.

Following is a breakdown of outstanding balances of contracts at the Group level, as of March 31 2022, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR:*

	March 31 2022
	In NIS million
Loans	8,351
Securities	3,606
Derivatives (gross) - par value	71,693

* LIBOR transactions in USD - after June 2023.

Quantitative information about interest rate risk - sensitivity analysis

Net adjusted fair value[(a)] of financial instruments of the Bank and its consolidated companies

	March 31 2022		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	**30,416**	**(1,598)**	**28,818**
Of which: banking portfolio	**30,899**	**(1,357)**	**29,542**

	March 31 2021		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	26,514	(3,113)	23,401
Of which: banking portfolio	25,807	(3,022)	22,785

	December 31 2021		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	28,797	(815)	27,982
Of which: banking portfolio	27,762	(992)	26,770

(a) Net fair value of the financial instruments, excluding non-monetary items and after the effect of the employee benefits liability, which takes into account the relating plan assets and attribution of demand deposits to periods.

For more information regarding the assumptions used to calculate the adjusted fair value of the financial instruments, please see Note 15.A.

The effect of scenarios of interest rate changes on the net adjusted fair value(a) of the Bank and its consolidated companies

	March 31 2022(d)		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	**(276)**	**(436)**	**(712)**
Of which: banking portfolio	**(186)**	**(482)**	**(668)**
Simultaneous decrease of 1 percent	**(554)**	**393**	**(161)**
Of which: banking portfolio	**(655)**	**440**	**(215)**
Non-simultaneous changes			
Steepening(b)	**(2)**	**(101)**	**(103)**
Flattening(c)	**(88)**	**(139)**	**(227)**
Short-term interest rate increase	**(54)**	**(375)**	**(429)**
Short-term interest rate decrease	**74**	**398**	**472**

	March 31 2021		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	499	(531)	(32)
Of which: banking portfolio	497	(504)	(7)
Simultaneous decrease of 1 percent	(944)	246	(698)
Of which: banking portfolio	(925)	283	(642)
Non-simultaneous changes			
Steepening(b)	244	(352)	(108)
Flattening(c)	(287)	24	(263)
Short-term interest rate increase	55	(192)	(137)
Short-term interest rate decrease	(73)	213	140

	December 31 2021		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	233	19	252
Of which: banking portfolio	331	(17)	314
Simultaneous decrease of 1 percent	(1,186)	(136)	(1,322)
Of which: banking portfolio	(1,290)	(131)	(1,421)
Non-simultaneous changes			
Steepening(b)	247	11	258
Flattening(c)	(259)	(175)	(434)
Short-term interest rate increase	26	(199)	(173)
Short-term interest rate decrease	(2)	211	209

(a) Net fair value of the financial instruments, excluding non-monetary items and after the effect of the employee benefits liability, which takes into account the relating plan assets and attribution of demand deposits to periods.
(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) The data presented are excluding the balances of BLUSA; for more information regarding the held-for-sale operation, see the section entitled "Main changes in the reporting period" and Note 16B.
* After netting effects.

Comment: The table presents the change in the net adjusted fair value of all the financial instruments, under the assumption that the noted change occurred for all interest curves in all linkage segments.

Effect of scenarios of interest rate changes on net interest income and on noninterest finance income

	March 31 2022[(a)]		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	910	57	967
Of which: banking portfolio	910	95	1,005
Simultaneous decrease of 1 percent	(1,270)	(46)	(1,316)
Of which: banking portfolio	(1,270)	(95)	(1,365)

	March 31 2021		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	1,098	148	1,246
Of which: banking portfolio	1,098	170	1,268
Simultaneous decrease of 1 percent	(1,324)	(231)	(1,555)
Of which: banking portfolio	(1,323)	(172)	(1,495)

	December 31 2021		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	1,092	191	1,283
Of which: banking portfolio	1,092	254	1,346
Simultaneous decrease of 1 percent	(1,464)	(154)	(1,618)
Of which: banking portfolio	(1,465)	(253)	(1,718)

(a) The data presented are excluding the balances of BLUSA; for more information regarding the held-for-sale operation, see the section entitled "Main changes in the reporting period" and Note 16B.
* After netting effects.

Foreign exchange rate risk

During the first quarter of 2022, the effect of the change in foreign currency rates on the net income was immaterial since the Bank does not have substantial ForEx exposures.

Liquidity Risk

Liquidity risk is the risk arising from uncertainty regarding the possibility of raising resources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss. 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 the requirements of Proper Banking Management Directive No. 221, Liquidity Coverage Ratio, which adopts the recommendations of the Basel III Committee for calculating the minimum liquidity coverage ratio (LCR), with adjustments for the Israeli economy.

Proper Conduct of Banking Business Directive No. 221, Liquidity Coverage Ratio, stipulates that a bank shall have a sufficient inventory of high-quality liquid assets to meet the liquidity requirements for a time-horizon of 30 days, under a combined stress scenario presented in the Directive.

The Bank has a contingency plan in place for handling a liquidity crisis, which includes a system of warning signs that may indicate a shift in the Bank's liquidity position. On the appearance of warning signs, a special forum will convene to assess the situation and examine the need to activate the plan, based on the level of severity. The plan includes 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.

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 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.

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.

During the first quarter of 2022, there was a decrease in the average liquidity coverage ratio relative to the fourth quarter of 2021, mainly as a result of higher uses beyond the increase in the stable sources. during the first quarter of 2022, subordinated bonds totaling NIS 6 billion were issued, half of which was in January 2022 and the remaining amount - in March 2022. During the period, the LCR ratio in foreign currency, across all currencies, was higher than the regulatory requirement.

The banking corporation's liquidity coverage ratio (regulatory model) is based on an average of daily observations

	For the three months ended		
	March 31		December 31
	2022	2021	2021
	In %		
a. Consolidated data			
Liquidity coverage ratio	**120**	130	124
Minimum liquidity coverage ratio required by the Banking Supervision Department[(a)]	**100**	100	100
b. Banking corporation's data			
Liquidity coverage ratio	**118**	128	122
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100

Note: Based on an average of daily observations.

(a) The Bank is examining the methodology of calculating the liquidity ratio; the Bank believes that applying a new methodology, if any, will leave the Bank with a higher liquidity ratio that the regulatory requirements. Due to the aforesaid, and in coordination with the Banking Supervision Department, the Bank set, at this stage, an internal liquidity coverage ratio of 115 percent that exceeds the minimum 100 percent liquidity coverage ratio required by the Banking Supervision Department.

For more information, please see the section entitled Liquidity Risk in the Risk Management Report as at December 31 2021 and Note 9.B.

Net stable funding ratio of the banking corporation

	As at March 31	As at December 31
	2022	2021
	In %	
a. Consolidated data		
Net stable funding ratio	**127**	131
Net stable funding ratio set by the Banking Supervision Department	**100**	100
b. Banking corporation's data		
Net stable funding ratio	**127**	131
Net stable funding ratio set by the Banking Supervision Department	**100**	100

Net Stable Funding Ratio is intended to improve the resilience of the liquidity risk profile of banking corporations in the long term by requiring them to maintain stable funding profiles according to their asset composition and 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 and standalone levels each quarter; the requirement is to meet a 100 percent ratio.

Operational Risks

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, technological 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.

During the first quarter of 2022 there were no material changes in the corporate governance structure, policy and operational risk management framework.

Main operational risk areas:

Information security and cyber risk

Life along the coronavirus has led to a significant increase in cyber-attacks on financial organizations in Israel and around the world, as well as on entities in their supply chains. The characteristics of the attacks are varied and include ransomware attacks, an increase in phishing and social engineering attempts. The exposure to the probability of a cyber event materializing increases as a result of a wider use of digital channels.

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 the first quarter of 2022, no cyber incidents were discovered which affected the Bank's financial statements.

Technological 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 began to implement a business-technological (modernization) plan to achieve its business goals in the coming years. The plan is subject to stringent corporate governance.

The human resource risk

The changes in the business and banking environment, and the coronavirus crisis, have had a bank-wide effect of the human capital domain as well, inter alia due to the need to adjust the work force and boost managerial skills in a changing world, including managing telecommuting and employee engagement, as well as the growing demand for employees with technological skills. Leumi uses various means to handle risk, including: improving hiring capabilities, expanding hiring channels, knowledge conservation, as well as retention of employees with technological skills or unique business knowledge.

For more information about operational risk and main risk areas, please see the "Operational Risks" section in the Report of the Board of Directors and Management as at December 31 2021.

Environmental Risk

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

Environmental risks arise from the Bank's exposure to activities which may potentially cause environmental damage or be affected therefrom, such as: greenhouse gas emissions, waste creation, air or water pollution, soil contamination, compromised biodiversity, deforestation and extreme weather events.
Environmental and climate-related risks are usually divided into two:

- Physical risks - arise from exposure to potential harm due to the scope and frequency of climate change, such as heat waves, floods, and rise in sea level. The materialization of this risk has a direct effect, inter alia, on the Bank's own activity and its business continuity capabilities, as well as on the activity of its customers and their investments.
- Transition risks - arise from the potential effect of changes and adjustments made in addressing climate-related risks and the efforts to mitigate them: such as policy changes, transitioning to low-carbon economy, adoption of environmentally-friendly technologies, technological changes, changes in market preferences, in the business environment, etc.
- The Bank is exposed to these risks both directly and indirectly:
- Direct damage may be incurred by the Bank in case, for example, of harm, due to environmental factors, to its physical infrastructure, that is critical to its business continuity. But even if the Bank is found to be responsible for an environmental hazard, including the possibility of the Bank being required to incur the costs of removing an environmental hazard or is found responsible for an environmental hazard towards a third party.
- Indirect damage may be caused due to harm to the Bank's customers, the value of its collateral or the value of its investment portfolio. Thus, for example, indirect damage may be caused to the Bank if it extended financing to a company and that company had endured damage due to environmental causes or caused environmental damage. The damage incurred by that company could compromise its repayment capacity, thus indirectly affecting the Bank's asset value.

The Bank may also be exposed to a reputational risk if an environmental hazard is attributed to the Bank, whether directly, as the one who created the hazard, or indirectly - for having financed the hazard.
Thus, environmental risks may have a financial and non-financial impact on the Bank, such as credit risk, market risk, operational risk, compliance risk, legal risk, regulatory risk, reputational risk, and liquidity risk.

The Bank recognizes the importance of managing environmental and climate-related risks due to its central role and importance to the Israeli economy and society; it also regards this as a business-strategic opportunity. The Bank is working to define and integrate corporate governance and a supportive operational model, as well as improve the management and measurement tools.

Emphasis was made on incorporating indicators to identify environmental credit in business considerations in order to identify financing opportunities. To advance the Bank's objective of boosting environmental credit, a long-term target was set for environmental financing for the various divisions.

The Bank has developed a multi-year work plan for managing environmental and climate-related risks in corporate governance aspects, and incorporating environmental and climate-related risks as an integral part of risk management in the Bank's various activities, including identification and promotion of business opportunities. In the coming year, the Bank will focus on improving methodologies, measurement methods as well as quantitative and qualitative information to manage environmental and climate-related risks. In this context, special emphasis will be made on the business credit domain, due to it significant business and environmental materiality.

- For the past decade, the Bank has held ISO 14001 certification, under which regulations related to environmental risks are managed and monitored, including an annual inspection by the Israel Standards Institution.

Environmental risk is an "evolving" 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.

For more information, please see the section entitled "Environmental risk" in the Report of the Board of Directors and Management as at December 31 2021.

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

Other Risks

Regulatory Risk

Regarding regulatory risk, please see the section entitled “Risk Review” in the Report of the Board of Directors and Management as at December 31 2021.

Compliance Risk

Regarding compliance risk, please see the section entitled “Risk Review” in the Report of the Board of Directors and Management as at December 31 2021.

In addition, due to the Russia-Ukraine war, numerous countries and global organizations have imposed substantial economic sanctions on individuals, entities, sectors and geographic areas. Leumi applies the sanctions according to its policy.

Legal Risk

Regarding legal risk, please see the risks section in the Report of the Board of Directors and Management as at December 31 2021.

Macroeconomic Risk

Macroeconomic risk is the risk to the Group's income and capital arising from macroeconomic conditions, including a low interest rate environment, global political power relations and their impact on international trade.
The coronavirus crisis still represents a significant global macroeconomic risk. The ramifications of the crisis for the global economy, and to a lesser extent on the domestic economy, as well as for the Bank’s business, may still be substantial. This constitutes severe harm to business activity of sensitive industries such as tourism, aviation, leisure, entertainment, food services, etc., as well as significant indirect impacts on a wide range of industries in the fields of commerce, services and non-residential real estate. This crisis has led many economies across the world to increase their sovereign debts. In addition, numerous central banks have begun to tighten the substantial monetary easing, while raising interest rates and toning down bond purchases on the markets. These developments pose an additional future risk to financial markets’ stability.

In addition to the coronavirus risk, there are risks arising from climate change and various geopolitical risks, including the current Ukrainian-Russian crisis, which increase the potential for volatile global economic processes. The war in Ukraine has led to a substantial increase in energy prices and prices of other commodities, in significant harm to consumer confidence and business security in various part of the world - which is expected to harm global growth rates.

The Bank is assessing its ability to withstand adverse macroeconomic developments using systemic stress scenarios, using uniform stress scenarios following a request by the Banking Supervision Department. In addition, ongoing monitoring and follow up of market developments are conducted in order to prepare in advance and adapt the activity, as needed.

For more information regarding reputational risk, strategic risk, model risk and conduct risk, please see under “Other Risks” in the Report of the Board of Directors and Management dated December 31 2021.

Critical Accounting Policies and Estimates

Overview

The financial statements are prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department regarding the preparation of annual and quarterly financial statements of a banking corporation as detailed in Note 1 to the Annual Financial Statements as at December 31 2021, except regarding CECL and related directives published by the Banking Supervision Department, which are applied by the Bank as of January 1 2022 and are extensively detailed below.

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles and directives of the Banking Supervision Department requires Management to use estimates and assessments which affect the reported amounts of assets and liabilities as well as income and expense amounts.

The actual results of these estimates may differ from the estimates and/or assessments. In most cases, the estimates and assessments are based on economic forecasts, assessments regarding various markets and past experience, while exercising discretion. Management believes the estimates and assessments to be reasonable at the time of signing the financial statements.

For more information, please see the section entitled “Accounting Policies and Significant Estimates” in the 2021 Financial Statements.

Collective Loan Loss Provision and Classification of Troubled Debts

As of January 1 2022, the Bank applies Reporting to the Public Directives of the Banking Supervision Department on Current Expected Credit Losses (CECL), as published under ASC 326, “Financial Instruments - Credit Losses”. The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses. The purpose of the new rules is to improve the quality of reporting on a banking corporation’s financial position by early recording of the loan loss provisions so as to in order to support a swifter response by banks to a deterioration in borrowers’ credit quality and enhance the correlation between credit risk management and the manner in which these risks are reflected in the financial statements. The rules are based on existing methods and processes.

As a result of applying the new rules, the Bank has revised and adjusted the loan loss provision methodology, according to the revised methodology, the loan loss provision is comprised both of a quantitative element and a qualitative element. As a rule, the Bank’s estimates are based on past losses after adjustment due to credit characteristics, adjustment for current economic conditions and reasonable future forecasts. Depending on the credit portfolio, the quantitative components are based, inter alia, on net charge-offs, probability of default and loss given default. These estimates take into account several risk and economic characteristics, such as past losses, the risk groups’ risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, current economic and expected conditions, etc. The Bank’s estimates include assessments which reflect, inter alia, conditions of uncertainty and may naturally change from time to time.

The Bank has set procedures to maintain a loan loss provision able to cover expected loan losses arising from its loan portfolio, including off-balance sheet credit risk.

As a rule, the CECL provision is estimated over the contractual period of the financial asset, taking into account early repayment estimates, according to quantitative methods developed by the Bank, taking into account expected restructurings of troubled debt with the borrower, as applicable. A provision calculated on a collective basis for loans is usually based on the recorded outstanding debt, excluding interest accrued as at the reporting date.

The measurement of the loan loss provision is based on segmenting the Bank’s credit portfolio into groups sharing similar risk characteristics (a process called “segmentation”). Following is a summary of the Bank’s approach to segmentation relating to portfolios, economic sectors and business functions: The Bank segments the loans to the public to four main portfolios, each of which is divided into sub-groups: (1) Business-commercial credit in the Corporate Division; (2) Commercial credit, which mainly reflects credit to small businesses, in the Banking Division; (3) Non-housing loans to private individuals; and (4) Housing loans. In general, commercial credit is segmented into economic sectors, while credit to private individuals is segmented into main business lines. As for housing loans, the measurement is based on characteristics at the individual loan level. In the next stage, the Bank distinguishes between non-troubled and troubled credit.

The loan loss provision is comprised both from a quantitative level and a qualitative level, as follows: past losses, loss given default, a comprehensive framework for qualitative adjustments (Q-factor) and one-year macroeconomic forecasts.

The provision to cover the current expected credit losses in the loan portfolio is estimated through one of the following tracks: collective provision and specific provision; for further details, see Note 1.B.1.

Collective provision

1. In non-housing segments, the provision is usually estimated using the loss-rate method. This process is initially based on average past losses in the portfolio, represented by net charge-offs as from 2011 and until the quarter preceding the reporting date. Past losses are adjusted later in the process, using a series of risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, concentration of the credit portfolio, risk ratings, the Bank's credit provision policy and procedures, and additional terms and conditions. The process is intended to adjust the historic information so as to reflect the level at which the current term conditions and reasonable supportable forecasts may be different than the terms and conditions prevalent during the period in which the historic information was assessed. In the next stage, the Bank incorporates reasonable and well-substantiated forecasts for one year, followed by one year for historical data, adjusting for current conditions, on a linear basis. At the end of the process, the provision for estimates is adjusted for expected recoveries in respect of charged off debts. Changes in these estimates are recognized as incurred against the loan loss provision.

   The provision for off-balance sheet credit is recognized for obligations that may not be unconditionally terminated by the Bank, and is based on the segmentation described above, taking into account the Bank's estimates regarding the reasonableness of utilizing the various off-balance sheet items (i.e., credit conversion coefficients). These estimates are based both on past experience of the Bank - which indicates utilization rates - and on subjective judgment. The provision is presented in the balance sheet under "Other liabilities".

   This process involves significant judgment and expert assumptions, in order to reflect the best expectations and assessments of management regarding current expected credit losses.

2. In the housing loans segment, the Bank measures the current expected credit losses based on the probability of default and loss given default. The process also begins with historic information, which is adjusted for current conditions and reasonable substantiable forecasts or a period of one year. Following this period, the Bank reverts to three years of historic information adjusted for current conditions on a linear basis. The provision for off-balance sheet credit is recognized based on the Bank's estimates relating to the probability of utilizing the binding credit facilities. Changes in the loan loss provision for housing loans, including for housing loans classified as non-performing, are presented as loan loss expense for debts examined on a collective basis.

Classification of troubled debts and specific provision

The Bank assesses the loan portfolio on an ongoing basis and in accordance with procedures in order to identify, as soon as possible, borrowers whose risk level and exposure increased and who require special supervision and close monitoring by management. This is either due to risk characteristics or as a result of economic/market conditions that might have an adverse effect on the borrowers, aiming to improve their condition. As to corporate customers, judgment is exercised by corporate department's employees dealing with the borrower in order to assess the extent of the problem, which is then assessed by the Credit Risk Management units of the Risk Management Division with the aim of making an objective assessment, to the extent possible, of the identified problems in order to determine the borrower's risk rating.

Generally, a commercial debt the contractual balance of which is NIS 1 million or more is specifically assessed by the competent persons at the Bank in order to determine whether it should be classified as a troubled debt, including recording a charge-off where relevant. Other customers are examined for the purpose of classifying them based on the state of arrears and according to certain negative symptoms defined and activated automatically.

Non-performing debts, excluding housing loans, are debts which the Bank believes do not share the risk characteristics of performing debts and therefore estimates the provision for them on a specific basis.

As part of its credit risk management activities, the Bank applies measures to identify troubled debts across each business line (in accordance with its unique characteristics) as early as possible. In the Corporate Division, the assessment is based, inter alia, on criteria which constitute red flags for troubled debts. Accordingly, if needed, the risk rating is updated and the debt is defined as sensitive. The Retail Banking Division identifies sensitive customers mainly in an automated manner, based on criteria predefined for this type of customers.

Customers identified as sensitive are reassessed each quarter, prior to the publication of the financial statements.

The methodology for dealing with troubled debts requires, among other things, a methodical assessment of the adequacy of the loan loss provision for debts classified as non-performing. The provision is assessed according to the difference between the recorded outstanding debt and the present value of the future cash flows expected to service the debt from the customer's activity and the realization of collaterals and other assets, discounted at the effective interest rate of the debt. For debts the repayment of which relies on collaterals (collateral-contingent debts) and there are no other available and reliable sources of repayment, the provision is determined based on the fair value of the collateral less costs of disposal and after triggering buffers for the collateral's value so that it will be possible to realize the collateral and have the debt repaid therefrom. In this context, it should be noted that the Bank is implementing the requirements of the Bank of Israel, according to which debts are classified based on the debtor's repayment capacity; i.e. – the expected strength of the primary repayment source of the debt, despite support by secondary and tertiary repayment sources, such as collateral and guarantors.
Similarly, to examining the adequacy of the classifications, the adequacy of the provision is also examined on a quarterly basis, in accordance with the requirements of the Bank of Israel.

According to revised Proper Conduct of Banking Business directives, the Risk Management Division is responsible for setting appropriate classifications and allowances for credit losses. In addition to the discussions held by business divisions' managements and by representatives of the Risk Management Division, the Bank's Provisions Committee, headed by the President and CEO, holds quarterly discussions as to the aggregate amount of the provisions required for that quarter and the classification of specific provisions (in excess for a stipulated threshold amount).

For more information on first-time application of the directives of the Banking Supervision Department on Current Expected Credit Losses (CECL), see Note 1.B.1.

Impairment of Securities in the Available-for-Sale Portfolio

The Bank estimates the current expected credit losses for bonds in the available-for-sale portfolio at each reporting date when the fair value of the security is lower than its depreciated cost. In any such case, the Bank examines whether there is an intention to sell the security or whether the Bank believes that it is more likely than not that it will be required to sell the security before recovering its carrying amount. If the answer is positive - the entire difference between the carrying amount and the fair value is recognized in profit and loss. If the answer is negative, the Bank examines whether the fair value impairment arises from loan losses or other factors, and if the Bank believes that the impairment arises from loan losses - it is recognized through the loan loss provision, while any other impairment is recognized against other comprehensive income. A loan loss exists when the Bank does not expect to receive principal and interest inflows that are sufficient to recover the entire amortized cost of the security. The loan loss provision is limited to the amount by which it exceeds the amortized cost of the security over its fair value. The provision amount is revised upwards or downwards according to changes in assessments in subsequent periods.

When testing for loan losses, the Bank reviews various inputs, assessments and information items.

According to the new rules, the Bank does not take into account - for this purpose - the length of time in which the fair value of the security was lower than its cost.

In cases where the Bank decided to conduct a quantitative test, the test will be conducted using the PD LGD method. In the context of this test, a comparison will be made between the discounted cash flows, fair value and amortized cost. If the expected cash flows are lower than the amortized cost, the difference will be recognized as a loan loss provision. If the fair value of the bond is higher than the discounted cash flow amount, a provision will be recognized up to the fair value amount.

For more information on first-time application of the directives of the Banking Supervision Department on Current Expected Credit Losses (CECL), see Note 1.B.1.

Liabilities for Employee Benefits

As at March 31 2022, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 1,865 million, compared to a negative post-tax reserve of NIS 3,478 million as at December 31 2021.

The outstanding liability for employee benefits as at March 31 2022, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is NIS 1,206 million less than the actual outstanding liability.

The actuarial assessment of the employee benefits is on the Israel Securities Authority's website, on the following address www.magna.isa.gov.il.

For more information, please see the section entitled "Accounting Policies and Significant Estimates" in the 2021 Financial Statements.

Controls and Procedures Regarding Financial Statements Disclosures

The Banking Supervision Department's directives impose the requirements of Sections 302 and 404 of the SOX Act on banking corporations. The SEC and the Public Company Accounting Oversight Board have established provisions with regard to the abovementioned sections, on management's responsibility for instating and maintaining disclosure controls and procedures and for exercising internal control over financial reporting and the opinion of the independent auditors on the audit of internal control over financial reporting.

The Banking Supervision Department's directives require the following:

- Banking corporations shall apply Sections 302 and 404 and the SEC directives issued thereunder.
- Adequate internal control requires an auditing system that follows a predefined, recognized framework. The 2013 COSO (Committee of Sponsoring Organizations of the Treadway Commission) meets these requirements and can be used to evaluate the internal controls.

The Bank regularly applies the directive to the Leumi Group.

During 2022, the Bank validates and updates material control processes and conducts effective evaluations of its entire internal system of control over financial reporting.

Evaluation of disclosure controls and procedures

The Bank's management, with the cooperation of the President and Chief Executive Officer and Head of the Finance Division and Chief Accountant, have evaluated the effectiveness of the Bank's disclosure controls and procedures as at the end of the reporting period. Based on this evaluation, the Bank's President and Chief Executive Officer and the Head of the Finance Division and the Chief Accountant have concluded that, as at the end of the reporting period, the Bank's disclosure controls and procedures are effective for the purpose of recording, processing, summarizing and reporting the information the Bank is required to disclose in its financial statements pursuant to the Banking Supervision Department's Reporting to the Public Directives and as at the date prescribed by the Directives.

Internal control changes

In the quarter ended March 31 2022, no material change has occurred in the Bank's internal control over financial reporting which has had a material effect, or is reasonably expected to have a material effect, on the Bank's internal control over financial reporting.

The Board of Directors

From January to March 2022, Leumi's Board of Directors held 9 plenum meetings and its committees held 14 meetings.

At a Board meeting held on May 23 2022, the Board resolved to approve and publish the Group's condensed consolidated unaudited financial statements as at March 31 2022 and for the period then ended.

The Bank’s Board of Directors would like to express its appreciation and gratitude to the employees and managers of the Bank and the Group’s subsidiaries - both in Israel and overseas - for their dedicated work and contribution to the Group's business.

Dr. Samer Haj Yehia
Chairman of the Board

Hanan Friedman
President and Chief Executive Officer

May 23 2022

Certification

I, Hanan Friedman, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi Le-Israel B.M. (hereinafter - the "Bank") for the quarter ended March 31 2022 (hereinafter - the "Report").

2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period.

3. To my knowledge, the quarterly financial statements and other financial information included in the Financial Statements fairly represent, in all material respects, the Bank's financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Financial Statements.

4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives, "Report of the Board of Directors"). In addition:

   A. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and said companies, especially during the preparation of the Financial Statements;

   B. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;

   C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our assessment; and

   D. The Financial Statements discloses any change in the Bank's internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank's internal control over financial reporting; and

5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' Audit Committee, based on our most recent assessment of the internal control over financial reporting, the following:

   A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that are reasonably expected to harm the Bank's ability to record, process, calculate and report financial information; and

   B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 23 2022

Hanan Friedman

President and Chief Executive Officer

Certification

I, Omer Ziv, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi Le-Israel B.M. (hereinafter - the “Bank") for the quarter ended March 31 2022 (hereinafter - the “Report").

2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period.

3. To my knowledge, the quarterly financial statements and other financial information included in the Financial Statements fairly represent, in all material respects, the Bank’s financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Financial Statements.

4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives, “Report of the Board of Directors”). In addition:

   A. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and said companies, especially during the preparation of the Financial Statements;

   B. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;

   C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our assessment; and

   D. The Financial Statements discloses any change in the Bank’s internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank’s internal control over financial reporting; and

5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors’ Audit Committee, based on our most recent assessment of the internal control over financial reporting, the following:

   A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that are reasonably expected to harm the Bank’s ability to record, process, calculate and report financial information; and

   B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

May 23 2022

Omer Ziv
First Executive Vice President Chief
Accounting Officer
Head of Finance and Accounting Division

Deloitte.

KPMG
Somekh Chaikin

Review Report of the Joint Independent Auditors to the Shareholders of Bank Leumi le-Israel B.M.

Introduction

We have reviewed the financial information of Bank Leumi le-Israel B.M. and its subsidiaries (hereinafter - the “Bank”), which includes the condensed consolidated interim balance sheet as at March 31 2022 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with Israeli GAAP for interim financial reporting and in accordance with the Banking Supervision Department’s directives and guidance. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

Review scope

We performed our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, and a review standard applied in the review of banking corporations pursuant to the Banking Supervision Department’s directives and guidelines. A review of interim financial information consists of inquiries, mostly of persons responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is substantially smaller in scope than an audit performed in accordance with Israeli GAAP and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that might have been identified in an audit. Consequently, we are not expressing an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information is not prepared, in all material respects, in accordance with Israeli GAAP for interim financial reporting and in accordance with the directives and guidance of the Banking Supervision Department.

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

Somekh Chaikin
A registered partnership in Israel and a partner firm in the global KPMG network, which is comprised of independent firms affiliated with KPMG International Limited, a privately-owned limited liability British company KPMG International Limited

Joint Independent Auditors

May 23 2022

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Income Statement
For the Period Ended March 31 2022

		For the three months ended March 31		For the year ended December 31
		2022	2021	2021
		Unaudited		Audited
	Note	In NIS million		
Interest income	2	**3,361**	2,612	11,672
Interest expenses	2	**462**	264	1,326
Interest income, net	2	**2,899**	2,348	10,346
Loan loss income	13	**(40)**	(212)	(812)
Interest income, net after loan loss income		**2,939**	2,560	11,158
Noninterest income				
Noninterest finance income	3A	**14**	441	1,714
Fees and commissions		**930**	868	3,506
Other income		**6**	65	291
Total noninterest income		**950**	1,374	5,511
Operating and other expenses				
Salaries and related expenses		**1,005**	1,078	4,242
Buildings and equipment - maintenance and depreciation		**364**	381[(a)]	1,535
Other Expenses		**425**	380[(a)]	1,651
Total operating and other expenses		**1,794**	1,839	7,428
Net income before taxes		**2,095**	2,095	9,241
Provision for profit tax		**483**	753	3,275
Profit after taxes		**1,612**	1,342	5,966
The Bank's share in profits of associates, after tax		**7**	7	101
Net income				
Before attribution to non-controlling interests		**1,619**	1,349	6,067
Attributable to non-controlling interests		**10**	9	39
Attributable to the Bank's shareholders		**1,609**	1,340	6,028
Basic and diluted earnings per share (in NIS)				
Diluted basic earnings attributable to the Bank's shareholders	3B	**1.11**	0.92	4.15

(a) Reclassified.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

Dr. **Samer Haj Yehia**
Chairman of the Board of Directors

Hanan Friedman
President and Chief Executive Officer

Omer Ziv
First Executive Vice President
Chief Accounting Officer
Head of Finance and Accounting Division

Date of approval of the financial statements: May 23 2022

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Comprehensive Income
For the Period Ended March 31 2022

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Net income before attribution to non-controlling interests	**1,619**	1,349	6,067
Less net income attributable to non-controlling interests	**10**	9	39
Net income attributable to the Bank's shareholders	**1,609**	1,340	6,028
Other comprehensive income (loss), before taxes			
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(2,006)**	(510)	(438)
Adjustments from translation of financial statements, net[a] after hedging effect[b]	**15**	26	(24)
Net losses for cash flow hedges	**(74)**	(36)	(40)
Adjustments of liabilities for employee benefits[c]	**2,434**	644	392
The Bank's share in other comprehensive loss of associates	**(7)**	(6)	(11)
Other comprehensive income (loss), before taxes	**362**	118	(121)
Related tax effect	**(102)**	(8)	4
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**260**	110	(117)
Less other comprehensive income attributable to non-controlling interests	**(21)**	(4)	(32)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**281**	114	(85)
Comprehensive income before attribution to non-controlling interests	**1,879**	1,459	5,950
Net of other comprehensive income (loss) attributable to the Bank's non-controlling interests	**(11)**	5	7
Comprehensive income attributable to the Bank's shareholders	**1,890**	1,454	5,943

(a) Adjustments from translation of the financial statements of a foreign operation the functional currency of which is different from the Bank's functional currency.
(b) Hedges - net gains (losses) in respect of hedging of a net investment in foreign currency.
(c) Mostly reflects adjustments in respect of actuarial estimates, as at the end of the period, of defined benefit pension plans and a deduction of amounts previously recorded in other comprehensive income.

Please see also Note 4, Accumulated Other Comprehensive Income (Loss).

The notes to the condensed consolidated interim financial statements form an integral part thereof.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Balance Sheet
As at March 31 2022

		March 31		December 31
		2022	2021	2021
		Unaudited		Audited
	Note	In NIS million		
Assets				
Cash and deposits with banks		**164,974**	139,979	197,402
Securities:				
Held-to-maturity bonds		**9,710**	8,484	8,031
Available-for-sale bonds		**78,149**	71,752	71,430
Equity securities not held for trading		**4,191**	4,783	4,344
Held-for-trading securities		**2,310**	2,666	3,122
Total securities[(a)(b)]	5	**94,360**	87,685	86,927
Securities borrowed or purchased under reverse repurchase agreements		**2,882**	4,630	2,447
Loans to the public	6, 13	**354,578**	312,753	347,391
Loan loss provision	6, 13	**(4,803)**	(5,192)	(4,512)
Loans to the public, net		**349,775**	307,561	342,879
Loans to governments		**1,153**	749	940
Investments in associates		**1,027**	790	1,113
Buildings and equipment		**2,640**	2,832	2,720
Goodwill		**-**	15	14
Assets in respect of derivatives	11	**19,997**	13,061	14,027
Other assets[(a)]		**6,727**	8,632	7,985
Held-for-sale assets	16.B	**25,896**	-	-
Total assets		**669,431**	565,934	656,454
Liabilities and equity				
Deposits by the public	7	**516,711**	460,412	537,269
Deposits by banks		**26,482**	17,178	25,370
Deposits by governments		**316**	228	300
Securities loaned or sold under repurchase agreements		**2,055**	535	2,282
Bonds, promissory notes and subordinated bonds		**21,459**	13,108	15,428
Liabilities for derivatives	11	**20,445**	13,269	15,551
Other liabilities[(a)(c)]		**15,797**	21,649	18,202
Held for sale liabilities	16.B	**23,305**	-	-
Total liabilities		**626,570**	526,379	614,402
Shareholders' equity	9	**42,433**	39,118	41,610
Non-controlling interests		**428**	437	442
Total equity		**42,861**	39,555	42,052
Total liabilities and equity		**669,431**	565,934	656,454

(a) For more information regarding amounts measured at fair value, please see Note 15A.
(b) Securities pledged to lenders totaled NIS 19,848 million (as at March 31 2021 - NIS 14,899 million; as at December 31 2021 – NIS 21,206 million).
(c) Of which: Loan loss provision for off-balance-sheet credit instruments, NIS 515 million (as at March 31 2021 - NIS 439 million; as at December 31 2021 - NIS 469 million).

The notes to the condensed consolidated interim financial statements form an integral part thereof.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity
For the Period Ended March 31 2022

	For the three months ended March 31 2022 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock-based compensation and other transactions[a]
	In NIS million		
Balance as at December 31 2021 (audited)	7,041	184	53
Cumulative effect for first-time application of US GAAP[c]	-	-	-
Net income for the period	-	-	-
Other comprehensive income, net of tax effect	-	-	-
Dividend paid	-	-	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at March 31 2022	**7,041**	**184**	**53**

	For the three months ended March 31 2021 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock-based compensation- and other transactions[a]
	In NIS million		
Balance as at December 31 2020 (audited)	7,041	184	53
Net income for the period	-	-	-
Other comprehensive income (loss), net of tax effect	-	-	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at March 31 2021	7,041	184	53

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 4,441 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (March 31 2021 - NIS 5,336 million, of which NIS 1,650 million for share buyback). The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business Directives.
(c) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.B.1.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
7,278	(2,877)	37,209	41,610	442	42,052
-	-	(479)	(479)	(4)	(483)
-	-	1,609	1,609	10	1,619
-	281	-	281	(21)	260
-	-	(588)	(588)	-	(588)
-	-	-	-	1	1
7,278	(2,596)	37,751	42,433	428	42,861

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
7,278	(2,792)	33,178	37,664	431	38,095
-	-	1,340	1,340	9	1,349
-	114	-	114	(4)	110
-	-	-	-	1	1
7,278	(2,678)	34,518	39,118	437	39,555

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the Period Ended March 31 2022

	For the year ended December 31 2021 (audited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock-based compensation- and other transactions[(a)]
	In NIS million		
Balance as at December 31 2020	7,041	184	53
Net income	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Dividend paid	-	-	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at December 31 2021	7,041	184	53

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,656 million that is non-distributable, of which NIS 1,650 million in respect of share buyback. The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business Directives.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[(b)]	Total	Non-controlling interests	Total equity
7,278	(2,792)	33,178	37,664	431	38,095
-	-	6,028	6,028	39	6,067
-	(85)	-	(85)	(32)	(117)
-	-	(1,997)	(1,997)	-	(1,997)
-	-	-	-	4	4
7,278	(2,877)	37,209	41,610	442	42,052

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Cash Flows
For the Period Ended March 31 2022

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Cash flows from operating activities			
Net income for the period	**1,619**	1,349	6,067
Adjustments:			
Group's share in undistributed losses (income) of associates[(a)]	**11**	(1)	114
Depreciation of buildings and equipment (including impairment)	**162**	171	694
Loan loss income	**(40)**	(212)	(812)
Gains on sale of loan portfolios	**(15)**	-	-
Net losses (gains) on sale of available-for-sale bonds	**7**	(65)	(231)
Net realized and unrealized losses from fair value adjustments of held-for-trading securities	**56**	7	19
Gain on sale of investees' equity	**(78)**	-	-
Gains on disposal of buildings and equipment - net	**-**	(35)	(119)
Realized and unrealized gains, net from fair value adjustments of equity securities not held-for-trading	**(10)**	(185)	(881)
Provision for impairment of equity securities not held-for-trading	**-**	-	66
Deferred taxes - net	**(282)**	166	422
Severance pay and pension – increase in excess of provision over fund	**141**	84	225
Excess of interest received over interest accrued during the period for available-for-sale bonds and held-to-maturity bonds over interest	**199**	302	379
Accrual differences and rate in respect of bonds and subordinated bonds	**99**	(100)	(41)
Effect of exchange rate differentials on cash and cash equivalent balances	**(198)**	(231)	557
Other, net	**(4)**	-	(4)
Net change in current assets:			
Assets in respect of derivatives	**(6,053)**	2,197	1,224
Held-for-trading securities	**756**	1,360	892
Other assets	**(792)**	(146)	442
Net change in current liabilities:			
Liabilities for derivatives	**5,217**	(3,719)	(1,516)
Other liabilities	**1,806**	1,777	(2,299)
Net cash provided from (for) operating activities	**2,601**	2,719	5,198

(a) Net of dividend received.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Cash Flows (cont.)
For the Period Ended March 31 2022

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Cash flows from investing activities			
Net change in deposits with banks with original maturities of more than three months	**1,551**	(16)	292
Net change in loans to the public[b]	**(25,922)**	(11,424)	(47,480)
Net change in loans to the Israeli Government	**(213)**	(117)	(308)
Net change in securities borrowed or purchased under reverse repurchase agreements	**(440)**	(1,611)	572
Purchase of held-to-maturity bonds	**(3,554)**	(1,162)	(1,510)
Proceeds from redemption of held-to-maturity bonds	**137**	421	1,130
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(56,448)**	(20,291)	(106,548)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**41,090**	19,627	86,553
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	**3,169**	3,991	24,626
Purchase of associates' equity	**(11)**	-	(442)
Proceeds from disposal of investment in associates	**158**	-	-
Proceeds from sale of loan portfolios	**437**	-	217
Purchase of buildings and equipment	**(181)**	(75)	(543)
Proceeds from disposal of buildings and equipment	**1**	45	179
Central severance pay fund	**2**	1	(9)
Net cash for investing activities	**(40,224)**	(10,611)	(43,271)
Cash flow from financing activities			
Net change in deposits by banks with original maturities of more than three months	**1,197**	2,026	10,232
Net change in deposits by the public	**1,449**	12,552	91,073
Net change in deposits by the government	**16**	19	92
Net change in securities loaned or sold under repurchase agreements	**(232)**	(80)	1,673
Proceeds from issue of bonds and subordinated bonds	**5,941**	-	2,262
Redemption of bonds and subordinated bonds	**(9)**	(3,095)	(3,096)
Dividend paid to shareholders	**(588)**	-	(1,997)
Net cash from financing activities	**7,774**	11,422	100,239
(Decrease) increase in cash and cash equivalents including in respect of available-for-sale cash[a]	**(29,849)**	3,530	62,166
Net of change in cash and cash equivalents classified as held-for-sale assets and liabilities[a]	**1,210**	-	-
(Decrease) increase in cash and cash equivalents	**(31,059)**	3,530	62,166
Balance of cash and cash equivalents as at the beginning of the period	**194,225**	132,616	132,616
Effect of exchange rate fluctuations on cash and cash equivalent balances	**198**	231	(557)
Balance of cash and cash equivalents as at end of period	**163,364**	136,377	194,225

(a) For more information, please see Note 16.B.
(b) Including operating activity from purchase of receivables factoring.

The notes to the condensed consolidated interim financial statements form an integral part thereof.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Cash Flows (cont.)
For the Period Ended March 31 2022

Interest and taxes paid and/or received and dividends received

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Interest received	**2,784**	2,747	10,806
Interest paid	**(515)**	(523)	(1,414)
Dividends received	**23**	13	243
Income tax paid	**(867)**	(829)	(3,043)
Income tax received	**199**	78	88

Appendix A - Non-Cash Investments and Financing Activities in the Reporting Period:

For the three months ended March 31 2021 and for the year ended December 31 2021

On March 1 2021, a NIS 750 million balance was reclassified from the available-for-sale bonds portfolio to the held-to-maturity bonds portfolio.

List of Notes

Note 1 - Significant Accounting Policies

A. Basis of Financial Reporting

1. Reporting principles

The condensed consolidated interim financial statements as at March 31 2022 have been prepared in accordance with Israeli GAAP on interim financial reporting and the directives and guidelines of the Banking Supervision Department.

The accounting principles applied to the preparation of the interim financial statements are consistent with those applied to the audited Annual Financial Statements as at December 31 2021, except as outlined in Section B below. These interim financial statements do not include all information required to be included in the full annual financial statements and should be read in conjunction with the Annual Financial Statements as at December 31 2021 and their accompanying notes (hereinafter – the "Financial Statements").

On May 23 2022, the Bank's Board of Directors approved the condensed consolidated interim financial statements for publication.

2. Use of estimates

Preparing the condensed consolidated interim financial statements in accordance with the said directives and guidance requires management to exercise judgment, and to use estimates, assessments and assumptions, which affect the reported amounts of assets and liabilities as well as the reported amounts. It is clarified that the actual results may differ from those estimates.

When developing accounting estimates used in the preparation of the Bank's financial statements, the Bank's management is required to make assumptions regarding circumstances and events involving significant uncertainty. In exercising its judgment to determine the accounting estimates, the Bank's management relies on past experience, facts, various representations, analyses and reviews, external factors and reasonable assumptions, in accordance with each estimate’s particular circumstances. The uncertainty reflected in the economic and other environmental conditions is still significant; therefore, estimates and assessments may be revised according to the development of the conditions and circumstances as well as economic changes.

With the exception of what is detailed under item b. below, the policy applied by the Bank in using assessments and estimates is consistent with that used in the annual financial statements as at December 31 2021. The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates were adjusted and for any future affected period.

B. First-Time Application of New Accounting Standards, Accounting Standard Revisions, and New Directives Issued by the Banking Supervision Department

As of the reporting periods commencing on January 1 2022, the Bank applies the following accounting standards and directives:

1. First-time application of new rules of loan loss provisions (CECL) and additional provisions published by the Banking Supervision Department

Overview

The directives of the Banking Supervision Department have adopted US GAAP on current expected credit losses (CECL) ASC 326, “Financial Instruments - Credit Losses”. The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses.

For more information regarding the accounting policy on loan losses for the periods prior to January 1 2022, please see Note 1 to the Bank’s 2021 Annual Financial Statements.

The purpose of the new rules is to improve the quality of reporting on a banking corporation’s financial position by early recording of the loan loss provisions so as to in order to support a swifter response by banks to a deterioration in borrowers’ credit quality and enhance the correlation between credit risk management and the manner in which these risks are reflected in the financial statements. The rules are based on existing methods and processes.

Note 1 - Significant Accounting Policies (cont.)

The main changes arising from the application of the new rules are as follows:

- The loan loss provision is calculated according to the expected loss over the life of a loan rather than the estimated loss that has been incurred but not yet identified.
- The measurement of the loan loss provision is based on segmenting the Bank's credit portfolio into groups sharing similar risk characteristics.
- When estimating the loan loss provision, use is made of forward-looking information which reflects reasonable forecasts regarding future economic events.
- The new rules for calculating the loan loss provision apply to loans, including housing loans, held-to-maturity bonds and certain off-balance sheet credit exposures.
- There was a change in the conditions for, and manner of, recording impairments of available-for-sale bonds.
- Revision of the classification and charge-off rules applicable to housing loans: classification of housing loans in arrears of 90 days or more as non-performing loans, consideration of the need to classify housing debts as debt under restructuring of troubled debt, and a requirement to made a charge-off no later than the date on which the debt became a debt in arrears of 180 days or more for housing loans secured by a residential property. In the amount of the part of the recorded outstanding debt over the value of the security.
- The credit portfolio will be broken down into performing and non-performing credit, such that the current definitions of impaired debts and impaired credit risk will be replaced by definitions of non-performing debts and non-performing credit risk, respectively.
- Disclosure of the effect of the loan granting date on the credit quality of the loan portfolio was expanded.

The Bank's preparations for the application of the new rules included, inter alia, mapping of the requirements, defining a methodology to calculate the loan loss provision estimates, segmentation of the credit portfolio into groups sharing similar risk characteristics., estimating various components in the estimation process, parallel runs, assessing reasonableness, approving the methodologies and estimates, implementing the disclosure provisions and adjusting the framework of the financial reporting controls.
It should be clarified that the new rules do not alter the credit risk embodied in the Bank's credit portfolio.

Additional directives regarding debt classification

In January 2021, the Banking Supervision Department published a FAQ regarding implementation of new rules on current expected credit losses, which included clarifications regarding classification of debts as debt under restructuring and the rules for reinstating them to the performing track. Specifically, it was clarified that classification of a debt as restructured does not automatically require the debt to be classified as troubled, and that such a debt can be classified as a performing or non-performing debt as at the change date.

Impact of the new rules on capital adequacy

In December 2020, the Banking Supervision Department published a circular entitled "Regulatory Capital - Effect of Applying Accounting Principles to Expected Loan Losses". The circular sets transitional provisions for first-time adoption of new rules on current expected credit losses in order to mitigate the unexpected effects of the implementation of the rules on regulatory capital.

Additional directives specific to housing loans

In February 2021, the Banking Supervision Department published a circular entitled "Expected Loan Losses from Financial Instruments", which reversed, among other things, the requirement to calculate a minimum collective provision of 0.35 percent for housing loans as well as the requirement to calculate a

Note 1 - Significant Accounting Policies (cont.)

minimum provision according to the extent of arrears method; it also added the requirement to deduct from CET1, amounts for housing loans classified as non-performing loans over time.

Description of the effect of first-time application

As a result of applying the new rules, the Bank revised and adjusted its loan loss provision methodology, its classification policy, and the presentation format of troubled debt under restructuring, the presentation format of non-performing credit (i.e., impaired debt), the write-off policy of housing loans and disclosure requirements relating to the loan loss provision.

The Bank is applying these rules as of January 1 2022, by recording the cumulative effect arising from their implementation in retained earnings, net of deferred taxes, on first-time application.

This effect reflects, inter alia, the composition of the credit portfolio of the Bank, as well as the Bank's preparations for the current state of the economy and the expected economic conditions.

Effect in respect of first-time application of the new accounting rules on CECL on the main line items

	December 31 2021	Effect of the application of CECL[a]	**January 1 2022**
	Audited	Unaudited	
	In NIS million		
1. Balance Sheet			
Loans to the public, gross	347,391	(43)[b]	**347,348**
Total increase (decrease) of loan loss provision:	4,512	625	**5,137**
Of which: Loan loss provision - commercial portfolio	3,312	784	**4,096**
Of which: Loan loss provision - housing loans	489	(166)	**323**
Of which: Loan loss provision - private individuals, other	711	7	**718**
Loans to the public, net	342,879	(668)	**342,211**
2. Shareholders' equity			
Retained earnings, before tax	-	(725)	**-**
Tax effect	-	246	**-**
Retained earnings, after tax	37,209	(479)	**36,730**

(a) Due to non-materiality, effects due to other liabilities, credit to banks, governments and bonds, as well as the effect on the Bank's capital ratios were not included in the table.

(b) Regarding housing loans: first-time recording of 180-day write-offs and interest rate write-offs, due to first-time classification of loans in arrears of 90 days and more as non-performing loans.

According to the revised methodology, the loan loss provision is comprised both of a quantitative element and a qualitative element. As a rule, the Bank's estimates are based on past losses after adjustment due to changes in credit characteristics, adjustment for current economic conditions and future forecasts. Depending on the credit portfolio, the quantitative components are based, inter alia, on net charge-offs, probability of default and loss given default. These estimates take into account several risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, state of the economy, etc. The Bank's estimates include assessments which reflect, inter alia, conditions of uncertainty and may naturally change from time to time.

In addition, the Bank adopted - as at the first-time application date - certain easements sanctioned by the transitional provisions, including spreading the effect of first-time application relating to its effect on Common Equity Tier 1 capital over 3 years, according to the transitional provisions.

Note 1 - Significant Accounting Policies (cont.)

In addition, the application of the new rules led to an immaterial deduction from the Common Equity Tier 1 capital on first-time application, due to the requirement to deduct from Common Equity Tier 1 capital amounts in respect of housing loans classified over time as non-performing loans, as detailed above. The amount is not subject to the easements provided under the transitional provisions.

The application of the new rules, as aforesaid, did not materially affect CET1 as at the transition date. For additional details regarding effects on the capital ratios for March 31 2022, please see Note 9.B.d.

2. Update of accounting policy applied following first-time application of the new rules on non-performing debts, credit risk and current expected credit losses

The accounting framework

The Bank applies the Banking Supervision Department’s guidelines on measurement and disclosure of non-performing debts, credit risk, and loan loss provision, the positions of the US banking supervisory authorities and the Securities and Exchange Commission, as adopted by the Banking Supervision Department’s Reporting to the Public Directives. According to these guidelines, inter alia, a banking corporation shall apply US GAAP for Banks for measuring loan losses arising from financial instruments as outlined in ASC 326, “Financial instruments - Credit Losses”.

These guidelines are applied to all outstanding receivables, such as deposits with banks, bonds, securities borrowed or purchased under reverse repurchase agreements, loans to the public, and loans to the Israeli Government.

Provision for CECL: measurement

The Bank has set procedures to maintain a loan loss provision able to cover current expected credit losses arising from its loan portfolio, including off-balance sheet credit risk.

As a rule, the estimate of a current expected credit losses is calculated over the contractual period of the financial asset, taking into account early repayment estimates according to quantitative methods formulated by the Bank, and taking into account expected restructuring of troubled debt with the borrower, as applicable. A provision calculated on a collective basis for loans is based, as a rule, on the recorded outstanding debt, net of interest accrued as at the reporting date.

The measurement of the loan loss provision is based on segmenting the Bank’s credit portfolio into groups sharing similar risk characteristics (a process called “segmentation”). Following is a summary of the Bank’s approach to segmentation relating to portfolios, economic sectors and business functions: The Bank segments the loans to the public to four main portfolios, each of which is divided into sub-groups: (1) Business-commercial credit in the Corporate Division; (2) Commercial credit, which mainly reflects credit to small businesses, in the Banking Division; (3) Non-housing loans to private individuals; and (4) Housing loans. In general, commercial credit is segmented into economic sectors, while credit to private individuals is segmented into main business lines. As for housing loans, the measurement is based on characteristics at the individual loan level. In the next stage, the Bank distinguishes between non-troubled and troubled credit.

The loan loss provision is comprised both from a quantitative level and a qualitative level, as follows: past losses, loss given default, a comprehensive framework for qualitative adjustments (Q-factor) and one-year macroeconomic forecasts.

The provision to cover the current expected credit losses in the loan portfolio is estimated through one of the following tracks:

Note 1 - Significant Accounting Policies (cont.)

Specific loan loss provision

Non-performing debts, excluding housing loans, are debts which the Bank believes do not share the risk characteristics of performing debts and therefore estimates the provision for them 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 loan loss provision

3. In non-housing segments, the provision is usually estimated using the loss-rate method. This process is initially based on average past losses in the portfolio, represented by net charge-offs as from 2011 and until the quarter preceding the reporting date. Past losses are adjusted later in the process, using a series of risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, concentration of the credit portfolio, risk ratings, the Bank's credit provision policy and procedures, and additional terms and conditions. The process is intended to adjust the historic information so as to reflect the level at which the current term conditions and reasonable supportable forecasts may be different than the terms and conditions prevalent during the period in which the historic information was assessed. In the next stage, the Bank incorporates reasonable and well-substantiated forecasts for one year, followed by one year for historical data, adjusting for current conditions, on a linear basis. At the end of the process, the provision for estimates is adjusted for expected recoveries in respect of charged off debts. Changes in these estimates are recognized as incurred against the loan loss provision.

   The provision for off-balance sheet credit is recognized for obligations that may not be unconditionally terminated by the Bank, and is based on the segmentation described above, taking into account the Bank's estimates regarding the reasonableness of utilizing the various off-balance sheet items (i.e., credit conversion coefficients). These estimates are based both on past experience of the Bank - which indicates utilization rates - and on subjective judgment. The provision is presented in the balance sheet under "Other liabilities".

   This process involves significant judgment and expert assumptions, in order to reflect the best expectations and assessments of management regarding current expected credit losses.

4. In the housing loans segment, the Bank measures the current expected credit losses based on the probability of default and loss given default. The process also begins with historic information, which is adjusted for current conditions and reasonable substantiable forecasts or a period of one year. Following this period, the Bank reverts to three years of historic information adjusted for current conditions on a linear basis. The provision for off-balance sheet credit is recognized based on the Bank's estimates relating to the probability of utilizing the binding credit facilities. Changes in the loan loss provision for housing loans, including for housing loans classified as non-performing, are presented as loan loss expense for debts examined on a collective basis.

Held-to-maturity securities and additional exposures

The current expected credit losses provision for the held-to-maturity bonds portfolio is based on the probability of default and loss given default methods. The Bank does not recognize a loan loss provision for certain government bonds and credit agencies for which the Bank believes the probability of non-payment is zero.

In addition, the Bank's exposure for securities loaned or sold under reverse repurchase agreements relates to agreements which include provisions for retention of collateral by the counterparty. In this context, the Bank determines that the expectation of non-payment based on amortized cost of these exposures is zero if the entity which transferred the financial assets to the Bank continuously replenishes the collateral amount in response to fair value changes. The Bank ensures, on a regular basis, that the entity complies with the provision to retain a collateral and reasonably expects the borrower to continue to renew the collateral as needed. The application of the new rules did not materially affect the loan loss provision for held-to-maturity bonds.

Liability adequacy testing of the entire provision and finalizing its quantification process

The process of liability adequacy testing is entwined in the process of developing various components in estimating the loan loss provision, such as adjustments of historic information from past periods for current conditions, assessing the risk of various economic sectors, economic forecasts for reasonable and substantiable periods, assessment of the recovery amounts expected for debts under financial difficulties, estimates of expected recoveries from previous charge-offs, and estimate of early repayment in respect of the contractual period of the credit provided.

However, the Bank is examining the overall adequacy of the loan loss provision based on management's judgment, taking into account the risks embodied in the credit portfolio, in order to ensure that the provision estimates over the entire reporting period adequately represent the best expectations and estimates of management. To this end, management reviews a wide range of data - both factors specific to the borrower and factors relevant to the entire operating environment. In this context, management examines the loss estimates against managerial and financial information at its disposal. In addition, as part of quantifying the provision, the Bank sometimes calculates scenarios which represent circumstances that management believes are within a reasonable range, and to which management attributes weights for the purpose of obtaining the best estimate.

Impairment of available-for-sale bonds

The Bank estimates the current expected credit losses for bonds in the available-for-sale portfolio at each reporting date when the fair value of the security is lower than its depreciated cost. In any such case, the Bank examines whether there is an intention to sell the security or whether the Bank believes that it is more likely than not that it will be required to sell the security before recovering its carrying amount. If the answer is positive - the entire difference between the carrying amount and the fair value is recognized in profit and loss. If the answer is negative, the Bank examines whether the fair value impairment arises from loan losses or other factors, and if the Bank believes that the impairment arises from loan losses - it is recognized through the loan loss provision, while any other impairment is recognized against other comprehensive income. A loan loss exists when the Bank does not expect to receive principal and interest inflows that are sufficient to recover the entire amortized cost of the security. The loan loss provision is limited to the amount by which it exceeds the amortized cost of the security over its fair value. The provision amount is revised upwards or downwards according to changes in assessments in subsequent periods.

When testing for loan losses, the Bank reviews various inputs, assessments and information items. The main criteria for determining whether the impairment stems from the existence of a credit loss pertain both to factors specific to the issuer and to other factors, as follows:

- Credit rating downgrade
- Adverse legal or regulatory event (such as imposition of a regulatory restriction on the issuer, the issuer is unable to obtain a significant patent or meet its requirements)
- Unpaid interest or principal payments or default
- Deterioration in the issuer's or analysts' expectations regarding the future functioning of the issuer
- Increase in the credit spreads at the rating group level
- Adverse legal or regulatory changes affecting the issuer's industry

Note 1 - Significant Accounting Policies (cont.)

- Significant deterioration in the market environment which may affect the value of the collateral (such as a decline in prices of real estate properties)
- A significant deterioration in economic conditions
- Disruptions in the business model as a result of technological changes or new competitors in the industry.

According to the new rules, the Bank does not take into account - for this purpose - the length of time in which the fair value of the security was lower than its cost.

In cases where the Bank decided to conduct a quantitative test, the test will be conducted using the PD LGD method. In the context of this test, a comparison will be made between the discounted cash flows, fair value and amortized cost. If the expected cash flows are lower than the amortized cost, the difference will be recognized as a loan loss provision. If the fair value of the bond is higher than the discounted cash flow amount, a provision will be recognized up to the fair value amount.

If the Bank expects that the bond shall not be collectible, the loan loss provision amount will be recognized as a charge-off.

Identification and classification of troubled debts

The Bank has set procedures for identifying troubled loans and for classifying debts as non-performing. According to these procedures, the Bank classified the outstanding on-balance-sheet troubled debts and the off-balance-sheet items as follows: special mention, substandard or non-performing. Non-performing debts were classified and presented in periods preceding January 1 2022 as part of impaired debts.
Since July 1 2017, the Bank applies the Banking Supervision Department's revised "Frequently Asked Questions and Examples of Implementation of Reporting to the Public Directives on Impaired Debts, Credit Risk, and Loan Loss Provision". The revision focuses on establishing debt classifications based on the debtor's repayment capacity, i.e.: The expected strength of the primary repayment source, notwithstanding the support of secondary and tertiary repayment sources. Primary repayment source – a sustainable source of cash which must be under the borrower's control, must be reserved, explicitly or implicitly, to cover the debt obligation. For a source of repayment to be considered primary, the Bank must show that the borrower is highly likely to generate, within a reasonable period of time, an adequate cash flow from a continuing business operation, which shall be used to repay all of the required installments in full and according to the repayment schedule set in the agreement.

Past due debts are considered delinquent if their principal or interest were not paid after becoming due. As of January 1 2022, after applying the new rules on loan losses, housing loans are managed according to the number of calendar days in arrears, while in previous periods, the extent of arrears of housing loans was determined using the extent of arrears method, in according with Proper Conduct of Banking Business Directive No. 314.

To classify and treat troubled debt (including charge-off), the Bank distinguishes, in accordance with the Reporting to the Public Directives, between:

1. Commercial credit for debt whose contractual balance (without deducting: charge-offs not involving a legal waiver, unrecognized interest, loan loss provisions and collateral) is at least NIS 1 million or more, except for certain exclusions:
   Such credit is mainly classified based on the repayment capacity of the debtor, as described above, while distinguishing between potential weaknesses and existing or well-defined weaknesses. 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 shall be classified as non-performing 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. A well-secured debt is one that is secured by a collateral by placing a lien on a tangible or personal asset, including securities, the realization value of which is sufficient to repay the debt (including accrued interest) or collateral of a party with proven financial responsibility. A debt is "under collection processes" if its collection is properly conducted through a legal proceeding, under the proper circumstances, collection efforts that are non-legal but which are expected to bring about, in the near future, the repayment of the debt or its return to a performing status.

Off-balance sheet loans are classified depending on the probability of realizing the contingent liability and if the debts that may be recognized as a result of the realization of the contingent liability meet the criteria for classification into the adequate category.

2. Credit to private individuals, housing loans, and commercial credit in respect of debt the outstanding contractual balance of which (as defined above) is lower than NIS 1 million, except for certain exclusions: Such credit is classified based on the extent of arrears and according to certain negative symptoms that are defined and automatically activated. Housing loans are classified as non-performing debt when the performing or interest thereof are in arrears of 90 days or more.

Restructured troubled debts

A troubled debt which underwent formal restructuring is considered a debt for which, for economic or legal reasons related to the debtor's financial difficulties, the Bank had granted a concession by changing the terms and conditions of the debt to alleviate the burden of the debtor's near-term cash payments or by accepting other assets in satisfaction of the debt. 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.

In order to determine whether the debtor has financial difficulties, the Bank assesses whether there are indications that the borrower has difficulties as of restructuring date or whether it is reasonably probable that the borrower will have financial difficulties were it not for the restructuring.

Among other things, the Bank assesses whether one or more of the following criteria are met:

- As at the restructuring date, the borrower is in financial difficulties;
- With regards to debts which are not in arrears as of restructuring date, the Bank assesses whether - under the customer's current repayment capacity - it is probable that the customer will default in the foreseeable future and will fail to meet the original contractual terms and conditions of the debt;
- The debtor has declared bankruptcy, is under receivership, or there are significant doubts as to the borrower's continued existence as a going concern;
- If the terms and conditions of the debt are not changed, the borrower will be unable to raise debt from other sources at the market interest rate applicable to borrowers who have not defaulted.

The borrower was granted a concession even if - as part of the restructuring - the contractual interest rate was increased, provided that one or more of the following criteria are met:

- As a result of the restructuring, the Bank is not expected to collect all outstanding amounts (including interest accrued) according to contractual terms and conditions;
- The up-to-date fair value of the collateral for collateral-dependent debts does not cover the outstanding contractual debt and indicates that it will be impossible to collect all amounts due;
- The borrower is unable to raise debt at prevailing market interest rate for a debt with terms, conditions and characteristics, such as those of the debt extended as part of the restructuring.

Note 1 - Significant Accounting Policies (cont.)

The Bank does not classify a debt as a restructured troubled debt if - as part of the restructuring - the borrower was granted an immaterial payments deferral, given the frequency of payments, contractual term to maturity and expected average duration of the original debt. In this regard, if several restructurings were carried out that involve changing the debt's terms and conditions, the Bank takes into account the cumulative effect of the previous restructurings when determining if the payments deferral is immaterial.

In accordance with the Bank of Israel's guidance, when a debt that was not considered non-performing previously is restructured and it is determined to be compliant with the definition of a troubled debt under restructuring, with no partial charge-off, it is usually inadequate to decrease the loan loss provision estimate at the restructuring date as a result of changing the impairment measurement method.

As a rule, a restructured troubled debt will be classified as such until it is fully repaid, excluding housing loans. However, the debt was restructured (without forgiving the principal) and subsequently the banking corporation and the debtor entered into another restructuring agreement (a process called "subsequent restructuring"), provided that on the date of the subsequent restructuring, the borrower is no longer experiencing financial difficulties and, under the terms and conditions of the subsequent restructuring agreement, the banking corporation granted no concession to the borrower; in this case, the subsequent restructured debt will no longer be classified as restructuring of troubled debt. This section applies to restructuring carried out or renewed as of December 31 2016.

A troubled debt under restructuring the terms and conditions of which have been changed may be classified as performing or non-performing at the change date. As a rule, a troubled debt which has formally undergone restructuring of terms and conditions so as to give rise to reasonable assurance that the debt will be repaid (principal and interest income) and perform according to its new terms and conditions, it need not be classified as non-performing debt, provided that the restructuring and any charge-off made to the debt are supported by an up-to-date and well-documented credit assessment of the debtor's financial status and the repayment capacity under the new terms and conditions. The assessment includes a review of ongoing historic repayment performance of the debtor for a period of at least 6 months. Accordingly, a debt the terms and conditions of which have been changed under restructuring of troubled debt, and which was adequately classified as performing debt prior to the restructuring, can continue to accrue interest provided that subsequent the restructuring: (1) The collection of the principal and interest in accordance with the new rules is reasonably assured, based on an up-to-date and well-substantiated analysis; (2) The debtor has a reasonable history of ongoing repayment performance for a reasonable period prior to the change of the terms and conditions that does not exclusively rely on interest payments; and (3) the restructuring improves the collection odds of the loan, according to a reasonable repayment schedule.

Classification of a debt as restructured troubled debt does not automatically require the debt to be classified as troubled. However, at the date on which the terms and conditions were changed, the required classification should be reassessed. All the relevant parties, including the extent of the debtor's financial difficulties, should be taken into account when conducting the risk assessment. Classifying a debt as non-troubled or troubled shall be conducted in accordance with the Bank's procedures.

Note 1 - Significant Accounting Policies (cont.)

As of January 1 2022, the rules described above also apply to housing loans, with the necessary adjustments. As a rule, rescheduling or recycling of a defaulted housing loan shall be defined as troubled debt under restructuring. The same applies to restructuring which includes rescheduling late charges. The Bank applied also these directives to restructurings conducted prior to January 1 2022 that have yet to be repaid. In addition, with the entry in force of these directives, the Bank updated the classification of the opening balance, for the reporting period, of debts classified as troubled debt under restructuring and adjusted to the new rules, such that debts which, as at December 31 2021, were classified as performing under restructuring were reclassified - according to the new rules - as non-troubled or troubled debt and accordingly, the current expected credit losses provision in their respect was classified according to the above rules.

Reinstatement of non-performing debt as performing debt

Non-performing debt is reclassified as performing debt if one of the following is met:

- Principal or interest are no longer past due and unpaid and the Bank expects full repayment of the outstanding principal and interest pursuant to the terms and conditions of the contract (including charge-offs or amounts that have been provided for).
- The debt is both well secured and in the process of collection.

In addition, in order to reinstate a non-performing loan as performing - following restructuring of troubled debt - an up-to-date and well-documented credit analysis of the debtor's financial position and the repayment odds under the updated terms and conditions should be made. The analysis takes into account the debtor's history of ongoing repayment performance for a reasonable period prior to debt's reinstatement as performing, but may taken into account payments made during a reasonable period prior to the restructuring, if the payments are in line with the updated terms and conditions. A period of ongoing repayment performance is usually at least 6 months as of the assessment date. Reclassification of a non-performing debt shall entail classifying the debt as non-troubled or troubled in accordance with the Bank's procedures. Accordingly, as of January 1, 2022, debts amounting to NIS 317 million of the impaired debts were classified to performing debts under one of the following categories: substandard, special mention and non-troubled, for which a NIS 150 million provision was reclassified from a specific provision to the collective provision (the loan loss income recorded on January 1 2022 in respect of debts classified as non-troubled is in an immaterial amount).

Revenue recognition

As at the date of the debt's classification as non-performing, the Bank no longer accrues interest income therefrom. Furthermore, when the debt is classified as non-performing debt, the Bank cancels all interest income which has been accrued but not yet collected which had been recognized as income in profit and loss. The debt is classified as non-performing as long as its "non-performing" classification has not been canceled. As for performing debts examined and provided for on a collective basis, excluding housing loans, that are in arrears of 90 days or more, the Bank continues to accrue interest income.

Charge-off

The Bank performs charge-offs in the following cases:

- Any debt or part thereof which is assessed on a specific basis and is considered uncollectible and has a low value such that maintaining it as an asset is unjustifiable or a debt which the Bank has attempted to collect over a considerable period of time (normally for more than two years).
- In the case of a collateral-dependent debt, any portion of such debt in excess of the value of the collateral which is identified as uncollectible shall be written off immediately against the loan loss provision.

Note 1 - Significant Accounting Policies (cont.)

- Troubled debts which are tested on a collective basis (i.e., non-housing loans for private individuals and commercial credit for a debt the contractual outstanding balance of which, as defined above, is less than NIS 1 million, except for certain exclusions) and their extent of arrears is 150 days or more, except in case of debts under restructuring, for which the need for immediate write-off is examined. In addition, troubled debts under restructuring which were tested collectively and failed, are written off when in arrears of 60 days or more under the restructuring terms and conditions and are classified as non-performing. As for housing loans, an up-to-date assessment of the value of the collateral should be made no later than the date in which the debts are in arrears of 180 days or more, and charge off the portion of the recorded outstanding balance that exceeds the collateral's value (less costs to sell).

It should be clarified that charge-offs do not involve a legal concession and reduce the reported outstanding debt for accounting purposes only, while establishing a new cost basis for the debt in the Bank's books of accounts.

Disclosure requirements

The Bank applies the disclosure requirements to the credit quality of debts and to the loan loss provision set forth by ASC 310, "Receivables", and ASC 326, "Financial instruments - Credit Losses", with the required adjustments and as adopted by the Reporting to the Public Directives. The Bank adjusted the disclosure format to the new rules, and reclassified comparative results as needed.

3. Revision of Reporting to the Public Directives regarding manner of calculating and presenting the return on equity

On August 3 2021, the Banking Supervision Department published a revision of the disclosure requirements as part of the Reporting to the Public Directives on net stable funding ratio (NSFR) and presentation of return on equity.

Under the circular, the presentation method of the rate of return on equity as well as of income and expense calculated on a quarterly basis were revised to annualized terms, according to the practice in US banks, such that the translation of the quarterly ratio will be made by multiplying by four and dividing by the number of quarters that have elapsed from the beginning of the year to the reporting date, in lieu of exponentiation, as was the case under the previous presentation method. According to the requirement in the circular, the Bank reclassified the comparative results relating to previous quarterly periods presented in the 2022 reports in line with the presentation method prescribed.

C. New accounting standards, revised accounting standards and new directives of the Banking Supervision Department in the period before their application

1. Discontinuation of the LIBOR rates

In March 2021, the British Financial Conduct Authority (FCA) officially announced the discontinuation of all LIBORs as of the end of 2021, with the exception of the dollar LIBOR, which will be discontinued in June of 2023.

On October 3 2021, the Banking Supervision Department published the new Proper Conduct of Banking Business Directive No. 250A, Transition from LIBOR. The directive outlines principles for implementing the transition from LIBOR to alternative base interest rates, in order to ensure adequate preparations and taking into account the potential risks involved in the transition. The directive takes into account the required fairness and disclosure aspects vis-a-vis customers. The directive covers both current agreements and new agreements.

Note 1 - Significant Accounting Policies (cont.)

When selecting the new interest base rates and adopting the alternative calculation methods, the Bank took into account the recommendations of the committees and work groups for the various currencies, including the International Swaps and Derivatives Association (ISDA) and fairness considerations. The Bank updated the relevant customers regarding the expected change, and posted it on its website. As of January 2022, the Bank is transitioning to the new base rates for each of the relevant currencies, at the next interest rate change date, and continues its preparations, inter alia, for the discontinuation of the USD LIBOR.

In January 2021, the FASB published ASU 2021-01, Reference Rate Reform: Scope, which expands expedients in respect of the effects of the interest rates reform on financial reporting, according to Topic 848, such that it also includes derivatives affected by the Reference Rate Reform, even if the derivatives do not bear LIBOR or another reference interest rate which is expected to be cancelled.

The Bank is examining the application of the available expedients to relevant contracts.

For more information, please see Note 1.Y. to the financial statements as at December 31 2021.

The Bank continues to prepare for the discontinuation of the LIBOR and use thereof. Following is a breakdown of outstanding balances of contracts at the Group level, as of March 31 2022, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR:*

	March 31 2022
	In NIS million
Loans	8,351
Securities	3,606
Derivatives (gross) - nominal value	71,693

* LIBOR transactions which will continue in all currencies after December 2021, and in USD - after June 2023.

2. ASU 2022-01, Derivatives and Hedging - Fair Value Hedging - Portfolio Level Method

On March 28 2022, the Financial Accounting Standards Board (FASB) published ASU 2022-01, Derivatives and Hedging - Fair Value Hedging - Portfolio Level Method in an effort to better adjust hedge accounting to companies' risk management policies (hereinafter - the "ASU").

The main amendments to the ASU include, inter alia, expanding the last level method such that several levels can be hedged, clarifications regarding accounting treatment, as well as additional disclosure requirements.

The provisions of the ASU will be applicable to publicly-traded entities in the US as of the annual and interim periods commencing after December 15 2022 or on early adoption, if the entity opted for early adoption of the standard.

3. ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures

On March 31 2022, the Financial Accounting Standards Board (FASB) published ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures (hereinafter - the "ASU").

The ASU revokes the provisions relating to restructuring of troubled debts by lenders, while improving disclosure requirements regarding borrowers in financial difficulties. The ASU also adds a disclosure requirements of gross write-offs, by credit granting year.

The provisions of ASU 2016-13 will be applicable to entities which have adopted it as of the annual and interim periods commencing after December 15 2022.

Note 2 - Interest Income and Expenses

	For the three months ended March 31	
	2022	2021
	Unaudited	
	In NIS million	
a. Interest income[(a)]		
From loans to the public	**3,023**	2,348
From loans to the Israeli Government	**9**	4
From deposits with the Bank of Israel and from cash	**35**	26
From deposits with banks	**15**	17
From securities borrowed or purchased under reverse repurchase agreements	**1**	1
From bonds[(b)]	**278**	216
Total interest income	**3,361**	2,612
b. Interest expenses		
For deposits by the public	**(264)**	(175)
For deposits by the government	**-**	(1)
For deposits by banks	**(2)**	(1)
For deposits by the Bank of Israel	**(3)**	(2)
For securities loaned or sold under repurchase agreements	**(2)**	-
For bonds, promissory notes and subordinated bonds	**(191)**	(85)
Total interest expenses	**(462)**	(264)
Total interest income, net	**2,899**	2,348
c. Details of the net effect of derivative hedges on interest income and expense[(c)]		
Interest income	**(17)**	(12)
d. Details on interest income from bonds, on accrual basis		
Held-to-maturity	**41**	40
Available-for-sale	**225**	172
Held-for-trading	**12**	4
Total included in interest income	**278**	216

(a) Including the effect of hedge relationships.
(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 55 million for the three-month period ended March 31 2022 (NIS 57 million for the three-month period ended March 31 2021).
(c) Additional information about the effect of hedging derivatives on subsection a.

Note 3A - Noninterest Finance Income

	For the three months ended March 31	
	2022	2021
	Unaudited	
	in NIS million	
Non-interest finance income for non-trading activities		
1.a. From derivative activities[a]		
Net income in respect of ALM derivative instruments[b]	**1,244**	1,093
Total from derivatives activity	**1,244**	1,093
2.a. From investment in bonds		
Gains on sale of available-for-sale bonds[g]	**22**	74
Losses on sale of available-for-sale bonds[g]	**(29)**	(9)
Total from investment in bonds	**(7)**	65
3.a. Exchange rate differentials, net	**(1,299)**	(992)
4.a. Gains (losses) on investment in equity securities		
Gains on sale of equity securities not held for trading	**91**	108
Losses on sale of equity securities not held-for-trading	**(38)**	(14)
Dividend from not held-for-trading equity securities	**5**	7
Unrealized gains (losses), net from not held-for-trading equity securities[h]	**(43)**	91
Gain on sale of investees' equity	**78**	-
Total from investment in equity securities	**93**	192
5.a. Gains on sold loans, net	**15**	-
Total noninterest finance income for equity securities not held-for-trading	**46**	358
b. Noninterest finance income (expenses) for trading activities		
Income in respect of held-for-trading derivatives, net	**24**	90
Realized and unrealized losses from fair value adjustments of held-for-trading bonds, net[c][f]	**(58)**	(8)
Realized and unrealized gains from fair value adjustments of held-for-trading equity securities, net [d][f]	**2**	1
Total from trading activities[e]	**(32)**	83
Details of noninterest finance income from trading activities, by risk exposure		
Interest rate exposure	**(91)**	34
Foreign exchange exposure	**57**	38
Equity exposure	**2**	9
Exposure to commodities and other contracts	**-**	2
Total	**(32)**	83
Total noninterest finance income	**14**	441

Please see comments below.

(a) Excluding the effect of hedge ratios.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
(c) Of which: NIS 33 million in losses for the three-month period ended March 31 2022, in respect of held-for-trading bonds held as at the balance sheet date (gains of NIS 6 million for the three-month period ended March 31 2021).
(d) Gains in the amount of less than NIS 1 million, related to held-for-trading equity securities that are still held as at the balance sheet date in the three months ended March 31 2022 (NIS 1 million in gains in respect of held-for-trading equity securities still held as at the balance sheet in the three months ended on March 31 2021).
(e) Interest income from investments in held-for-trading bonds, please see Note 2.
(f) Including exchange rate differentials from trading activities.
(g) Reclassified from accumulated other comprehensive income.
(h) Including gains and losses from fair value measurement of equity securities for which there is available fair value as well as upward or downward adjustments of equity securities for which there is no available fair value.

Note 3B - Earnings per Ordinary Share

The Bank's net income per share is calculated by dividing the gain attributed to the Bank's ordinary shareholders by the weighted average of the number of the Bank's outstanding ordinary shares, as follows:

	For the three months ended March 31	
	2022	2021
	Unaudited	
Basic earnings		
Net income attributable to the Bank's shareholders (in NIS million)	**1,609**	1,340
Weighted average of the number of shares (in thousands of shares)		
Balance as at beginning and end of period	**1,452,896**	1,452,896
Weighted average of number of shares	**1,452,896**	1,452,896
Net earnings per share (in NIS)	**1.11**	0.92

Share Capital

As at March 31 2022 and March 31 2021, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,452,896,006 ordinary shares of NIS 1 p.v. each.

Note 4 - Accumulated Other Comprehensive Income (Loss)

A. Changes in Accumulated Other Comprehensive Income (Loss) After Tax Effect

1. Changes in accumulated other comprehensive income (loss) for the three-month periods ended March 31 2022 and 2021 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjust-ments in respect of presen-tation of available-for-sale bonds at fair value	Net translation adjust-ments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other compre-hensive income (loss) of investees, equity-accounted	Adjust-ments in respect of employee benefits[c]	Total	Other compre-hensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's share-holders
	In NIS million							
Balance as at December 31 2020 (audited)	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the period	(336)	51	(24)	(5)	424	110	(4)	114
Balance as at March 31 2021	827	(244)	2	(21)	(3,310)	(2,746)	(68)	(2,678)
Balance as at December 31 2021 (audited)	874	(343)	-	(26)	(3,478)	(2,973)	(96)	(2,877)
Net change during the period	**(1,328)**	**30**	**(49)**	**(6)**	**1,613**	**260**	**(21)**	**281**
Balance as at March 31 2022[d]	**(454)**	**(313)**	**(49)**	**(32)**	**(1,865)**	**(2,713)**	**(117)**	**(2,596)**

2. Changes in accumulated other comprehensive income (loss) for the year ended December 31 2021 (audited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjust-ments in respect of presen-tation of available-for-sale bonds at fair value	Net translation adjust-ments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other compre-hensive income (loss) of investees, equity-accounted	Adjust-ments in respect of employee benefits[c]	Total	Other compre-hensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's share-holders
	In NIS million							
Balance as at December 31 2020	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the year	(289)	(48)	(26)	(10)	256	(117)	(32)	(85)
Balance as at December 31 2021	874	(343)	-	(26)	(3,478)	(2,973)	(96)	(2,877)

(a) Adjustments from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(b) Net gains (losses) for hedging a net investment in foreign currency.
(c) Adjustments for employee benefits are net of adjustments for plan assets.
(d) Including balances classified as held-for-sale assets and liabilities in the amount of NIS (153) million for adjustments made in respect to presentation of available-for-sale bonds according to net fair value in the amount of NIS (34) million, in respect of a loss on cash flow hedges, and in the amount of NIS (24) million in respect of adjustments for employee benefits. For more information, please see Note 16.B.

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

B. Changes in Accumulated Other Comprehensive Income (Loss) Components, Before and After-Tax Effect

	For the three months ended March 31 (unaudited)					
	2022[f]			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS million					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments for available-for-sale bonds at fair value:						
Unrealized losses, net, from fair value adjustments	(2,013)	680	(1,333)	(445)	152	(293)
Net (gains) losses in respect of available-for-sale bonds reclassified to the income statement[a]	7	(2)	5	(65)	22	(43)
Net change during the period	(2,006)	678	(1,328)	(510)	174	(336)
Translation adjustments:[b]						
Adjustments from translation of financial statements	59	-	59	99	-	99
Hedges[c]	(44)	15	(29)	(73)	25	(48)
Net change during the period	15	15	30	26	25	51
Net losses for cash flow hedges	(74)	25	(49)	(36)	12	(24)
The Bank's share in other comprehensive loss of associates, equity-accounted	(7)	1	(6)	(6)	1	(5)
Employee benefits:[d]						
Net actuarial gain	2,306	(777)	1,529	510	(174)	336
Net losses reclassified to the income statement[e]	128	(44)	84	134	(46)	88
Net change during the period	2,434	(821)	1,613	644	(220)	424
Total net change during the period	362	(102)	260	118	(8)	110
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	(36)	15	(21)	(14)	10	(4)
Changes in other comprehensive income attributable to the Bank's shareholders						
Total change during the period, net	398	(117)	281	132	(18)	114

(a) The before tax amount is reported in the income statement under the noninterest finance income item. Please see Note 3A.
(b) Adjustments from translation of financial statements of foreign operations whose functional currency is different than the Bank's functional currency.
(c) Net gains (losses) for hedging a net investment in foreign currency.
(d) The adjustments for employee benefits are net of adjustments for plan assets.
(e) The before-tax amount is reported in the income statement under the other expenses for employee benefits line item. For more information, please see Note 8.
(f) Including balances classified as held-for-sale assets and liabilities. For more information, please see Note 16.B.

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

B. Changes in Accumulated Other Comprehensive Income (Loss) Components, Before and After-Tax Effect (cont.)

	For the year ended December 31 2021 (audited)		
	Before tax	Tax effect	After tax
	In NIS million		
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:			
Adjustments in respect of presentation of available -for-sale bonds at fair value:			
Unrealized losses, net, from fair value adjustments	(207)	70	(137)
Net gains in respect of available-for-sale bonds reclassified to the income statement[(a)]	(231)	79	(152)
Net change during the year	(438)	149	(289)
Translation adjustments:[(b)]			
Adjustments from translation of financial statements	(95)	-	(95)
Hedges[(c)]	71	(24)	47
Net change during the year	(24)	(24)	(48)
Net losses for cash flow hedges	(40)	14	(26)
The Bank's share in other comprehensive loss of associates, equity-accounted	(11)	1	(10)
Employee benefits:[(d)]			
Net actuarial loss	(101)	33	(68)
Net losses reclassified to the income statement[(e)]	493	(169)	324
Net change during the year	392	(136)	256
Total change during the year, net	(121)	4	(117)
Less changes in other comprehensive income (loss) components attributable to non-controlling interests			
Total change during the year, net	(40)	8	(32)
Changes in other comprehensive income attributable to the Bank's shareholders			
Total change during the year, net	(81)	(4)	(85)

(a) The before tax amount is reported in the income statement under the noninterest finance income item. Please see Note 3A.
(b) Adjustments from translation of financial statements of foreign operations whose functional currency is different than the Bank's functional currency.
(c) Net gains (losses) for hedging a net investment in foreign currency.
(d) The adjustments for employee benefits are net of adjustments for plan assets.
(e) The before-tax amount is reported in the income statement under the other expenses for employee benefits line item. For more information, please see Note 8.

Note 5 - Securities

	As at March 31 2022 (unaudited)					
	Balance sheet value	Amortized cost	Outstanding loan loss provision[h]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS million					
1. Held-to-maturity bonds:						
Of the Israeli Government	6,209	6,209	14	96	(75)	6,244
Of foreign financial institutions	629	629	1	-	(1)	629
Asset-backed (ABS) or mortgage-backed (MBS)	2,798	2,798	4	1	(156)	2,647
Of other foreign entities	1,767	1,767	6	14	(235)	1,552
Less balances classified as held-for-sale assets[g]	(1,693)	(1,693)	(9)	(13)	239	(1,476)
Total held-to-maturity bonds[e]	9,710	9,710	16	98	(228)	9,596

	As at March 31 2022 (unaudited)					
				Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Outstanding loan loss provision[h]	Gains	Losses	Fair value[a]
	In NIS million					
2. Available-for-sale bonds:						
Of the Israeli Government	29,798	29,852	-	526	(580)	29,798
Of foreign governments	27,035	27,287	-	9	(261)	27,035
Of Israeli financial institutions	51	48	-	3	-	51
Of foreign financial institutions	10,797	10,915	-	22	(140)	10,797
Asset-backed (ABS) or mortgage-backed (MBS)	7,285	7,591	-	5	(311)	7,285
Of other Israeli entities	578	582	-	12	(16)	578
Of other foreign entities	5,296	5,545	-	26	(275)	5,296
Less balances classified as held-for-sale assets[g]	(2,691)	(2,951)	-	(5)	265	(2,691)
Total available-for-sale bonds[e]	78,149	78,869	-	598[c]	(1,318)[c]	78,149

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31 2022 (unaudited)					
	Balance sheet value	Cost	Outstanding loan loss provision[h]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS million					
3. Investment in not held-for-trading equity securities and mutual funds:						
Equity securities and mutual funds	4,238	4,099	-	243	(104)	4,238
Of which: equity securities and mutual funds for which there is no available fair value[b]	1,877	1,877				1,877
Less balances classified as held-for-sale assets[g]	(47)	(47)	-	-	-	(47)
Total not held for-trading equity securities and mutual funds	4,191	4,052	-	243[d]	(104)[d]	4,191
Total not held-for-trading securities	92,050	92,631	16	939	(1,650)	91,936

	As at March 31 2022 (unaudited)					
	Balance sheet value	Amortized cost (in equity securities - cost)	Outstanding loan loss provision[h]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS million					
4. Held-for-trading securities: bonds -						
Of the Israeli Government	1,455	1,461	-	3	(9)	1,455
Of foreign governments	-	-	-	-	-	-
Of Israeli financial institutions	461	471	-	1	(11)	461
Of foreign financial institutions	52	55	-	-	(3)	52
Asset-backed (ABS) or mortgage-backed (MBS)	36	38	-	-	(2)	36
Of other Israeli entities	207	214	-	1	(8)	207
Of other foreign entities	85	86	-	1	(2)	85
Total bonds	2,296	2,325	-	6	(35)	2,296
Equity securities and mutual funds	14	15	-	-	(1)	14
Total held-for-trading securities	2,310	2,340	-	6[d]	(36)[d]	2,310
Total securities	94,360	94,971	16	945	(1,686)	94,246

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31 2021 (unaudited)[f]				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS million				
1. Held-to-maturity bonds:					
Of the Israeli Government	4,062	4,062	378	(3)	4,437
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed (MBS)	2,569	2,569	30	(49)	2,550
Of other foreign entities	1,853	1,853	63	(56)	1,860
Total held-to-maturity bonds[e]	8,484	8,484	471	(108)	8,847

	As at March 31 2021 (unaudited)[f]				
			Accumulated Other Comprehensive Income (Loss)		
	Balance sheet value	Amortized cost	Gains	Losses	Fair value[a]
	In NIS million				
2. Available-for-sale bonds:					
Of the Israeli Government	32,396	31,525	930	(59)	32,396
Of foreign governments	17,221	17,243	79	(101)	17,221
Of Israeli financial institutions	68	64	4	-	68
Of foreign financial institutions	8,864	8,679	194	(9)	8,864
Asset-backed (ABS) or mortgage-backed (MBS)	7,541	7,555	57	(71)	7,541
Of other Israeli entities	247	233	14	-	247
Of other foreign entities	5,415	5,269	213	(67)	5,415
Total available-for-sale bonds[e]	71,752	70,568	1,491[c]	(307)[c]	71,752

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31 2021 (unaudited)				
	Balance sheet value	Cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
3. Investment in not held-for-trading equity securities and mutual funds:					
Equity securities and mutual funds	4,783	4,501	328	(46)	4,783
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	1,760	1,760			1,760
Total not held-for-trading equity securities and mutual funds	4,783	4,501	328[(d)]	(46)[(d)]	4,783
Total not held-for-trading securities	85,019	83,553	2,290	(461)	85,382

	As at March 31 2021 (unaudited)				
	Balance sheet value	Amortized cost (in equity securities - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
4. Held-for-trading securities: bonds -					
Of the Israeli Government	2,138	2,136	5	(3)	2,138
Of foreign governments	1	1	-	-	1
Of Israeli financial institutions	181	177	4	-	181
Of foreign financial institutions	89	87	3	(1)	89
Asset-backed (ABS) or mortgage-backed (MBS)	76	78	1	(3)	76
Of other Israeli entities	89	87	2	-	89
Of other foreign entities	37	35	2	-	37
Total bonds	2,611	2,601	17	(7)	2,611
Equity securities and mutual funds	55	56	-	(1)	55
Total held-for-trading securities	2,666	2,657	17[(d)]	(8)[(d)]	2,666
Total securities	87,685	86,210	2,307	(469)	88,048

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31 2021 (audited)[f]				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS million				
1. Held-to-maturity bonds:					
Of the Israeli Government	4,023	4,023	389	(2)	4,410
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed (MBS)	2,315	2,315	14	(38)	2,291
Of other foreign entities	1,693	1,693	63	(60)	1,696
Total held-to-maturity bonds[e]	8,031	8,031	466	(100)	8,397

	As at December 31 2021 (audited)[f]				
			Accumulated Other Comprehensive Income (Loss)		
	Balance sheet value	Amortized cost	Gains	Losses	Fair value[a]
	In NIS million				
2. Available-for-sale bonds:					
Of the Israeli Government	23,666	22,482	1,198	(14)	23,666
Of foreign governments	26,512	26,559	32	(79)	26,512
Of Israeli financial institutions	54	48	6	-	54
Of foreign financial institutions	8,302	8,192	123	(13)	8,302
Asset-backed (ABS) or mortgage-backed (MBS)	7,175	7,234	27	(86)	7,175
Of other Israeli entities	585	561	24	-	585
Of other foreign entities	5,136	5,017	158	(39)	5,136
Total available-for-sale bonds[e]	71,430	70,093	1,568[c]	(231)[c]	71,430

	As at December 31 2021 (audited)				
	Balance sheet value	Cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS million				
3. Investment in not held-for-trading equity securities and mutual funds:					
Equity securities and mutual funds	4,344	4,058	377	(91)	4,344
Of which: equity securities and mutual funds for which there is no available fair value[b]	1,743	1,743			1,743
Total not held-for-trading equity securities and mutual funds	4,344	4,058	377[d]	(91)[d]	4,344
Total not held-for-trading securities	83,805	82,182	2,411	(422)	84,171

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31 2021 (audited)				
	Balance sheet value	Amortized cost (in equity securities - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
4. Held-for-trading securities: bonds -					
Of the Israeli Government	2,591	2,589	4	(2)	2,591
Of foreign governments	-	-	-	-	-
Of Israeli financial institutions	288	284	4	-	288
Of foreign financial institutions	27	27	-	-	27
Asset-backed (ABS) or mortgage-backed (MBS)	42	44	-	(2)	42
Of other Israeli entities	106	103	3	-	106
Of other foreign entities	53	51	2	-	53
Total bonds	3,107	3,098	13	(4)	3,107
Equity securities and mutual funds	15	16	-	(1)	15
Total held-for-trading securities	3,122	3,114	13[(d)]	(5)[(d)]	3,122
Total securities	86,927	85,296	2,424	(427)	87,293

Comments:

(a) In most cases, fair value inputs are based on quoted share prices, which do not necessarily reflect the price that can be obtained from selling large blocks of securities.

(b) Shares for which no fair value is available are presented at cost less impairment, adjusted upwards or downwards for observable prices in similar transactions or identical transactions of the same issuer.

(c) Included in equity under the "Adjustments in respect of the presentation of available-for-sale bonds at fair value, net" under other comprehensive income, except for securities designated to be hedged at fair value.

(d) Carried to the income statement but as yet unrealized.

(e) Total of NIS 12.9 billion out of total foreign currency securities are rated SSA (Super-nationals, Sovereign and Agencies) (March 31 2021 - NIS 9.3 billion, December 31 2021 - NIS 9.1 billion).

(f) On March 1 2021, the subsidiary in the US classified a NIS 750 million (USD 225 million) balance from the available-for-sale bonds portfolio to the held-to-maturity bonds portfolio.

(g) Including balances classified as assets designated for sale; for more information, please see Note 16.B.

(h) Balance of loan loss provision - for additional information, please see Note 1.B.1.

General comments:

Loaned securities in the amount of NIS 561 million (as at March 31 2021 - NIS 1 million; as at December 31 2021 - NIS 25 million) are presented under the Loans to the public line item.

Securities pledged to lenders totaled NIS 19,848 million (as at March 31 2021 - NIS 14,899 million; as at December 31 2021 - NIS 21,206 million).

For more information on the financial performance of investments in bonds, equity securities and mutual funds, please see Note 2 and Note 3A.

The distinction between Israeli and foreign bonds was made according to the issuer's country of residence.

Note 5 - Securities (cont.)

More Information on Amortized Cost and Unrealized Losses, by Duration and Impairment Percentage, of Held-to-Maturity Bonds in a Deferred Loss Position

	March 31 2022 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-[c]20%	20%[d]-40%	Over[e] 40%	Total	Amortized cost	0-[c]20%	20%[d]-40%	Over[e] 40%	Total
	In NIS million									
Bonds										
Of the Israeli Government	1,452	54	-	-	54	182	21	-	-	21
Asset-backed (ABS) or mortgage-backed (MBS)	1,649	77	-	-	77	937	79	-	-	79
Of foreign financial institutions	508	1	-	-	1	-	-	-	-	-
Of other foreign entities	1,344	235	-	-	235	-	-	-	-	-
Less balances classified as held-for-sale assets[f]	(1,368)	(239)	-	-	(239)	-	-	-	-	-
Total held-to-maturity bonds	3,585	128	-	-	128	1,119	100	-	-	100

	March 31 2021 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-[c]20%	20%[d]-40%	Over[e] 40%	Total	Amortized cost	0-[c]20%	20%[d]-40%	Over[e] 40%	Total
	In NIS million									
Bonds										
Of the Israeli Government	183	3	-	-	3	-	-	-	-	-
Mortgage-backed (MBS)	1,473	45	-	-	45	104	4	-	-	4
Of foreign financial institutions	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	1,036	56	-	-	56	-	-	-	-	-
Total held-to-maturity bonds	2,692	104	-	-	104	104	4	-	-	4

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 40 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 40 percent of their amortized cost.
(f) Including balances classified as assets designated for sale; for more information, please see Note 16.B.

Note 5 - Securities (cont.)

More Information on Amortized Cost and Unrealized Losses, by Duration and Impairment Percentage, of Held-to-Maturity Bonds in a Deferred Loss Position (cont.)

	December 31 2021 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-[c]20%	20%[d]-40%	Over[e] 40%	Total	Amortized cost	0-[c]20%	20%[d]-40%	Over[e] 40%	Total
	In NIS million									
Bonds										
Of the Israeli Government	156	-[f]	-	-	-	31	2	-	-	2
Mortgage-backed (MBS)	1,724	32	-	-	32	65	6	-	-	6
Of foreign financial institutions	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	926	60	-	-	60	-	-	-	-	-
Total held-to-maturity bonds	2,806	92	-	-	92	96	8	-	-	8

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 40 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 40 percent of their amortized cost.
(f) Losses of less than NIS 1 million.

Note 5 - Securities (cont.)

More Information on Fair Value and Unrealized Losses, by Duration and Impairment Percentage, of Available-for-Sale Bonds in an Unrealized Loss Position

	March 31 2022 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-[c]20%	20%[d]-40%	Over[e] 40%	Total	Fair value	0-[c]20%	20%[d]-40%	Over[e] 40%	Total
	In NIS million									
Bonds										
Of governments and foreign financial and institutions	46,632	850	-	-	850	1,600	131	-	-	131
Asset-backed (ABS) or mortgage-backed (MBS)	4,570	174	-	-	174	1,805	137	-	-	137
Of others	3,403	210	-	-	210	735	81	-	-	81
Less balances classified as held for sale assets[h]	(2,530)	(265)	-	-	(265)	-	-	-	-	-
Total available-for-sale bonds	52,075	969	-	-	969	4,140	349	-	-	349

	March 31 2021 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-[c]20%	20%[d]-40%	Over[e] 40%	Total	Fair value	0-[c]20%	20%[d]-40%	Over[e] 40%	Total
	In NIS million									
Bonds										
Of governments and foreign financial and institutions	10,022	164	-	-	164	138	5	-	-	5
Asset-backed (ABS) or mortgage-backed (MBS)	2,933	60	-	-	60	982	11	-	-	11
Of others	1,694	67	-	-	67	1	-[g]	-	-	-
Total available-for-sale bonds	14,649	291	-	-	291	1,121	16	-	-	16

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 40 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 40 percent of their amortized cost.
(f) Amounts carried to the capital reserve as part of other comprehensive income, net of tax.
(g) Losses of less than NIS 1 million.
(h) Including balances classified as assets designated for sale; for more information, please see Note 16.B.

Note 5 - Securities (cont.)

More Information on Fair Value and Unrealized Losses, by Duration and Impairment Percentage, of Available-for-Sale Bonds in an Unrealized Loss Position (cont.)

	December 31 2021 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-[c]20%	20%[d]-40%	Over[e] 40%	Total	Fair value	0-[c]20%	20%[d]-40%	Over[e] 40%	Total
	In NIS million									
Bonds										
Of governments and foreign financial and institutions	17,067	105	-	-	105	26	1	-	-	1
Asset-backed (ABS) or mortgage-backed (MBS)	3,485	55	-	-	55	1,040	31	-	-	31
Of others	1,698	29	-	-	29	195	10	-	-	10
Total available-for-sale bonds	22,250	189	-	-	189	1,261	42	-	-	42

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 40 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 40 percent of their amortized cost.
(f) Amounts carried to the capital reserve as part of other comprehensive income, net of tax.

Note 5 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds in an Unrealized Loss Position

	March 31 2022 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]
	In NIS million					
Mortgage-backed bonds (MBS)	2,127	(138)	687	(61)	2,814	(199)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	994	(22)	532	(60)	1,526	(82)
Asset-backed bonds (ABS)	1,449	(14)	586	(16)	2,035	(30)
Less balances classified as held-for-sale assets[c]	(972)	68	-	-	(972)	68
Total	3,598	(106)	1,805	(137)	5,403	(243)

	March 31 2021 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]
	In NIS million					
Mortgage-backed bonds (MBS)	1,949	(32)	36	(2)	1,985	(34)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	766	(27)	57	-[b]	823	(27)
Asset-backed bonds (ABS)	219	(1)	889	(9)	1,108	(10)
Total	2,934	(60)	982	(11)	3,916	(71)

	December 31 2021 (audited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]
	In NIS million					
Mortgage-backed bonds (MBS)	2,486	(35)	34	(2)	2,520	(37)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	609	(19)	373	(16)	982	(35)
Asset-backed bonds (ABS)	390	(1)	633	(13)	1,023	(14)
Total	3,485	(55)	1,040	(31)	4,525	(86)

(a) Amounts carried to the capital reserve as part of other comprehensive income, net of tax.
(b) Losses of less than NIS 1 million.
(c) Including balances classified as assets designated for sale; for more information, please see Note 16.B.

Note 5 - Securities (cont.)

More Information on Held-to-Maturity Mortgage-Backed Bonds

	March 31 2022 (unaudited)			
	Amortized cost[(b)]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	2,558	1	(151)	2,408
Of which: GNMA-backed securities	1,555	1	(88)	1,468
Securities issued by FNMA or FHLMC	1,003	-	(63)	940
Other mortgage-backed bonds (including CMOs and stripped MBSs)	25	-	(4)	21
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	25	-	(4)	21
Total mortgage-backed bonds (MBS)	2,583	1	(155)	2,429
Asset-backed bonds (ABS)	219	-	(1)	218
Of which: Loans to other than individuals- CLO-type bonds	219	-	(1)	218
Less balances classified as held-for-sale assets[(a)]	(22)	-	4	(18)
Total mortgage-backed held-to-maturity bonds	2,780	1	(152)	2,629

	March 31 2021 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	2,409	30	(30)	2,409
Of which: GNMA-backed securities	1,323	17	(16)	1,324
Securities issued by FNMA or FHLMC	1,086	13	(14)	1,085
Other mortgage-backed bonds (including CMOs and stripped MBSs)	160	-	(19)	141
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	160	-	(19)	141
Total mortgage-backed bonds (MBS)	2,569	30	(49)	2,550
Asset-backed bonds (ABS)	-	-	-	-
Of which: Loans to other than individuals - CLO-type bonds	-	-	-	-
Total mortgage-backed held-to-maturity bonds	2,569	30	(49)	2,550

(a) Including balances classified as assets designated for sale; for more information, please see Note 16.B.
(b) Including a loan loss provision balance of NIS 4 million (of which NIS 3 million for balances classified as held-for-sale assets).

Note 5 - Securities (cont.)

More Information on Held-to-Maturity Mortgage-Backed Bonds (cont.)

	December 31 2021 (audited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	2,274	14	(34)	2,254
Of which: GNMA-backed securities	1,343	8	(19)	1,332
Securities issued by FNMA or FHLMC	931	6	(15)	922
Other mortgage-backed bonds (including CMOs and stripped MBSs)	41	-	(4)	37
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	41	-	(4)	37
Total mortgage-backed bonds (MBS)	2,315	14	(38)	2,291
Asset-backed bonds (ABS)	-	-	-	-
Of which: Loans to other than individuals - CLO-type bonds	-	-	-	-
Total mortgage-backed held-to-maturity bonds	2,315	14	(38)	2,291

Note 5 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds

	March 31 2022 (unaudited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	3,103	-	(199)	2,904
Of which: GNMA-backed bonds	1,466	-	(86)	1,380
Bonds issued by FNMA or FHLMC	1,637	-	(113)	1,524
Other mortgage-backed bonds (including CMOs and stripped MBSs)	1,822	1	(82)	1,741
Of which: Bonds issued or guaranteed by GNMA, FNMA, or FHLMC	1,437	-	(79)	1,358
Total mortgage-backed bonds (MBS)	4,925	1	(281)	4,645
Asset-backed bonds (ABS)	2,666	4	(30)	2,640
Of which: Loans to non-individuals - CLO-type bonds	1,957	3	(16)	1,944
Loans to non-individuals - SBA-guaranteed securities	552	1	(11)	542
Less balances classified as held-for-sale assets[b]	(1,041)	-	68	(973)
Total available-for-sale mortgage-backed and asset-backed bonds	6,550	5	(243)	6,312

	March 31 2021 (unaudited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass through bonds	3,019	14	(34)	2,999
Of which: GNMA-backed securities	982	2	(11)	973
Securities issued by FNMA or FHLMC	2,037	12	(23)	2,026
Other mortgage-backed bonds (including CMOs and stripped MBSs)	2,429	32	(27)	2,434
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	2,112	24	(27)	2,109
Total mortgage-backed bonds (MBS)	5,448	46	(61)	5,433
Asset-backed bonds (ABS)	2,107	11	(10)	2,108
Of which: Loans to non-individuals - CLO-type bonds	1,411	10	(3)	1,418
Loans to non-individuals - SBA-guaranteed securities	324	-	(6)	318
Total available-for-sale mortgage-backed and asset-backed bonds	7,555	57	(71)	7,541

(a) Amounts carried to the capital reserve as part of other comprehensive income, net of tax.
(b) Including balances classified as assets designated for sale; for more information, please see Note 16.B.

Note 5 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds (cont.)

	December 31 2021 (audited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass through bonds	3,093	8	(37)	3,064
Of which: GNMA-backed securities	1,458	2	(19)	1,441
Securities issued by FNMA or FHLMC	1,635	6	(18)	1,623
Other mortgage-backed bonds (including CMO and stripped MBS)	2,033	12	(35)	2,010
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	1,683	10	(33)	1,660
Total mortgage-backed bonds (MBS)	5,126	20	(72)	5,074
Asset-backed bonds (ABS)	2,108	7	(14)	2,101
Of which: Loans to non-individuals - CLO-type bonds	1,757	6	(2)	1,761
Loans to non-individuals - SBA-guaranteed securities	250	-	(12)	238
Total available-for-sale mortgage-backed and asset-backed bonds	7,234	27	(86)	7,175

(a) Amounts carried to the capital reserve as part of other comprehensive income, net of tax.

Note 5 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Held-for-Trading Securities

	March 31 2022 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments[(a)]	Unrealized losses from fair value adjustments[(a)]	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	1	-	-	1
Of which: Securities issued by FNMA or FHLMC	1	-	-	1
Other mortgage-backed securities (including CMO and stripped MBS)	26	-	(1)	25
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	27	-	(1)	26
Total asset-backed securities (ABS)	11	-	(1)	10
Total mortgage-backed and asset-backed held-for-trading securities	38	-	(2)	36

	March 31 2021 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments[(a)]	Unrealized losses from fair value adjustments[(a)]	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	2	-	-	2
Of which: Securities issued by FNMA or FHLMC	2	-	-	2
Other mortgage-backed securities (including CMO and stripped MBS)	36	-	(3)	33
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	35	-	(3)	32
Total mortgage-backed securities (MBS)	38	-	(3)	35
Total asset-backed securities (ABS)	40	1	-	41
Total mortgage-backed and asset-backed held-for-trading securities	78	1	(3)	76

(a) Gains (losses) carried to the income statement.

Note 5 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Held-for-Trading Securities (cont.)

	December 31 2021 (audited)			
	Amortized cost	Unrealized gains from fair value adjustments[a]	Unrealized losses from fair value adjustments[a]	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	2	-	-	2
Of which: Securities issued by FNMA or FHLMC	2	-	-	2
Other mortgage-backed securities (including CMO and stripped MBS)	25	-	(1)	24
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	27	-	(1)	26
Total asset-backed securities (ABS)	17	-	(1)	16
Total mortgage-backed and asset-backed held-for-trading securities	44	-	(2)	42

(a) Gains (losses) carried to the income statement.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision

A. Debts,[(a)] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision

	March 31 2022 (unaudited)					
	Loans to the public				Banks, governments and bonds	Total
	Com-mercial	Housing	Private - other	Total - public		
	In NIS million					
Recorded outstanding debt:						
Examined on a specific basis	193,631	-	397	194,028	104,914	298,942
Examined on a collective basis	43,347	107,964	28,426	179,737	1,254	180,991
Less balances classified as held-for-sale assets[(b)]	(18,844)	(50)	(293)	(19,187)	(5,643)	(24,830)
Total[1]	218,134	107,914	28,530	354,578	100,525	455,103
[1]Of which:						
Non-performing debts	2,123	518	187	2,828	-	2,828
Debts in arrears of 90 days or more	33	-	48	81	-	81
Other troubled debts	2,767	52	391	3,210	-	3,210
Less balances classified as held-for-sale assets[(b)]	(716)	-	-	(716)	-	(716)
Total troubled debts	4,207	570	626	5,403	-	5,403
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	3,309	-	143	3,452	43	3,495
Examined on a collective basis	769	316	538	1,623	-	1,623
Less balances classified as held-for-sale assets[(b)]	(272)	-	-	(272)	(9)	(281)
Total loan loss provision[2, 3]	3,806	316	681	4,803	34	4,837
[2]Of which: for non-performing debts	517	76	150	743		743
[3]Of which: for other troubled debts	430	7	116	553		553

(a) 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.

(b) For more information, please see Note 16.B.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts,[(a)] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision (cont.)

	March 31 2021 (unaudited)[(b)]					
	Loans to the public				Banks, governments and bonds	Total
	Com-mercial	Housing	Private - other	Total - public		
	In NIS million					
Recorded outstanding debt:						
Examined on a specific basis	151,403	-	818	152,221	95,416	247,637
Examined on a collective basis	42,256	92,528	25,748	160,532	2,063	162,595
Total[1]	193,659	92,528	26,566	312,753	97,479	410,232
[1]Of which:						
Non-performing debts	2,968	23	209	3,200	-	3,200
Debts in arrears of 90 days or more	63	698	32	793	-	793
Other troubled debts	3,914	2	400	4,316	8	4,324
Total troubled debts	6,945	723	641	8,309	8	8,317
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	3,141	-	238	3,379	3	3,382
Examined on a collective basis	678	614	521	1,813	-	1,813
Total loan loss provision[2, 3]	3,819	614	759	5,192	3	5,195
[2]Of which: for non-performing debts	850	6	157	1,013	-	1,013
[3]Of which: for other troubled debts	662	158	143	963	-	963

(a) 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.

(b) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts,[a] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision (cont.)

	December 31 2021 (audited)[b]					
	Loans to the public				Banks, governments and bonds	Total
	Com-mercial	Housing	Private - other	Total - public		
	In NIS million					
Recorded outstanding debt:						
Examined on a specific basis	172,551	-	914	173,465	95,015	268,480
Examined on a collective basis	43,157	103,688	27,081	173,926	1,708	175,634
Total debts¹	215,708	103,688	27,995	347,391	96,723	444,114
¹Of which:						
Non-performing debts	2,368	20	205	2,593	-	2,593
Debts in arrears of 90 days or more	284	609	48	941	-	941
Other troubled debts	2,522	-	385	2,907	-	2,907
Total troubled debts	5,174	629	638	6,441	-	6,441
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	2,641	-	295	2,936	3	2,939
Examined on a collective basis	671	489	416	1,576	-	1,576
Total loan loss provision	3,312	489	711	4,512	3	4,515

(a) 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.

(b) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts). Please see Note 1.B.2.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Change in Balance of Loan Loss Provision

	For the three months ended March 31 2022 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, governments and held-to-maturity bonds	Total
	Commercial	Housing	Private - other	Total - public		
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	3,765	489	727	4,981	3	4,984
Adjustment to the opening balance due to the effect of first-time application[(a)]	804	(165)	22	661	26	687
Balance as at January 1 2022	4,569	324	749	5,642	29	5,671
Loan loss expenses (income)	1	(7)	(48)	(54)	14	(40)
Charge-offs	(167)	-	(78)	(245)	-	(245)
Collection of debts written off in previous years	167	-	76	243	-	243
Net charge-offs	-	-	(2)	(2)	-	(2)
Adjustments from translation of financial statements	5	-	-	5	-	5
Less balances classified as held-for-sale assets[(b)]	(276)	-	-	(276)	(9)	(285)
Outstanding loan loss provision as at the end of the reporting period[1]	4,299	317	699	5,315	34	5,349
[1]Of which: in respect of off-balance-sheet credit instruments	493	1	18	512	-	512

	For the three months ended March 31 2021 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks and governments	Total
	Commercial	Housing	Private - other	Total - Public		
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,284	636	792	5,712	3	5,715
Loan loss expenses	(180)	(19)	(13)	(212)	-	(212)
Charge-offs	(114)	(3)	(74)	(191)	-	(191)
Collection of debts written off in previous years	241	-	71	312	-	312
Net charge-offs	127	(3)	(3)	121	-	121
Adjustments from translation of financial statements	10	-	-	10	-	10
Outstanding loan loss provision as at the end of the reporting period[1]	4,241	614	776	5,631	3	5,634
[1]Of which: in respect of off-balance-sheet credit instruments	422	-	17	439	-	439

(a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.B.2.

(b) For more information, please see Note 16.B.

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
In Israel			
Demand deposits			
Non-interest-bearing deposits	163,906	126,404	161,327
Interest-bearing deposits	204,813	177,780	210,393
Total demand deposits	368,719	304,184	371,720
Fixed deposits	145,205	129,483	140,596
Total deposits in Israel[1]	513,924	433,667	512,316
Outside Israel			
Demand deposits			
Non-interest-bearing deposits	15,013	13,361	14,737
Interest-bearing deposits	6,874	9,295	6,677
Total demand deposits	21,887	22,656	21,414
Fixed deposits	3,436	4,089	3,539
Less balances classified as held-for-sale liabilities[(a)]	(22,536)	-	-
Total deposits outside Israel	2,787	26,745	24,953
Total deposits by the public	516,711	460,412	537,269
[1]Of which:			
Deposits by private individuals	148,305	149,244	146,235
Deposits by institutional entities	118,674	76,698	127,883
Deposits by corporations and others	246,945	207,725	238,198

B. Deposits by the Public, by Amount

	March 31		December 31
	2022[(b)]	2021	2021
	Unaudited		Audited
Maximum deposit in NIS million	In NIS million		
Up to 1	118,220	120,881	120,656
Over 1 and up to 10	107,973	110,994	111,186
Over 10 and up to 100	84,010	84,156	86,924
Over 100 and up to 500	59,687	55,563	65,715
Over 500	146,821	88,818	152,788
Total	516,711	460,412	537,269

(a) For more information, please see Note 16.B.
(b) Excluding balances classified as held-for-sale liabilities in the amount of NIS 22,536 million.

Note 8 - Employee Benefits

A. Composition of Benefits

1. Employee benefits

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Retirement benefits - pension and severance pay(a)			
Liability amount	**18,399**	20,174	21,261
Fair value of plan assets	**9,240**	9,179	9,803
Excess liability over plan assets	**9,159**	10,995	11,458
Accrued jubilee vacation leave			
Liability amount	**26**	35	30
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in “other liabilities”)	**26**	35	30
Other benefits			
Liability amount	**599**	652	637
Less balances classified as held-for-sale assets	**(24)**	-	-
Fair value of plan assets	**-**	-	-
Excess liability over plan assets	**575**	652	637
Total			
Excess liability included in “other liabilities”[1]	**9,773**	11,682	12,150
[1]Of which: for benefits to employees abroad	**-**	63	28
Excess assets included in “Other Assets”[2]	**13**	-	25
[2]Of which: for benefits to employees abroad	**1**	-	12

(a) Less balances classified as held-for-sale assets - Please see tables below.

2. Defined benefit plan

a. Obligation and funding status

1. Change in the obligation in respect of expected benefit

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Obligation in respect of expected benefit as at the beginning of the period	**21,261**	20,491	20,491
Service cost	**47**	49	189
Interest cost	**156**	134	572
Contributions by planholders	**7**	8	32
Actuarial loss (gain)	**(2,595)**	(327)	829
Changes in foreign exchange rates	**2**	17	(12)
Paid benefits	**(392)**	(198)	(840)
Other	**69**	-	-
Less balances classified as held-for-sale assets	**(156)**	-	-
Obligation in respect of expected benefit as at the end of the reporting period	**18,399**	20,174	21,261
Obligation in respect of cumulative benefit as at the end of the reporting period	**17,635**	18,557	19,617

The actuarial gain during the quarter arises mainly from an increase in the discount rate.

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

a. Obligation and funding status (cont.)

2. Change in the fair value of plan assets and plan's funding status

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Fair value of plan assets as at the beginning of the period	**9,803**	8,945	8,945
Actual return on plan assets[(a)]	**(228)**	282	1,150
Plan contributions by the Bank	**18**	43	201
Contributions by planholders	**7**	8	32
Changes in foreign exchange rates	**2**	18	(23)
Paid benefits	**(261)**	(117)	(502)
Other	**69**	-	-
Less balances classified as held-for-sale assets	**(170)**	-	-
Fair value of plan assets as at the end of the reporting period	**9,240**	9,179	9,803
Funding status - net liability recognized at the end of the reporting period	**9,159**	10,995	11,458

(a) Including the effect of the transition to a paying fund in respect of the retirees. Please see Note 23.D. to the 2021 Annual Financial Statements.

3. Amounts recognized in the consolidated balance sheet

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Amounts recognized in the "Other assets" item	**13**	-	25
Amounts recognized in the "Other liabilities" item	**9,172**	10,995	11,483
Net liability recognized at the end of the reporting period	**9,159**	10,995	11,458

4. Amounts recognized in Accumulated other comprehensive income before tax effect

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Net actuarial loss	**2,786**	4,925	5,168
Closing balance of accumulated other comprehensive income	**2,786**	4,925	5,168

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

b. Expenditure for the period

1. Components of the net benefit cost recognized in the income statement

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Service cost	**47**	49	189
Interest cost	**156**	134	572
Expected return on plan assets	**(110)**	(99)	(414)
Amortization of unrealized amounts - net actuarial loss	**126**	131	489
Total benefit cost, net	**219**	215	836
Total expense for defined contribution pension plan	**49**	45	185
Total expenses included in profit and loss	**268**	260	1,021

2. Changes in plan assets and obligation for benefit recognized in other comprehensive income before tax effect

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Net actuarial loss (gain) for the period	**(2,257)**	(510)	93
Amortization of unrealized amounts - net actuarial loss	**(126)**	(131)	(489)
Changes in foreign exchange rates	**1**	2	-
Total recognized in other comprehensive loss (income)	**(2,382)**	(639)	(396)
Total benefit cost, net	**219**	215	836
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	**(2,163)**	(424)	440

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

3. Assumptions[(a)]

a. The assumptions, based on the weighted average, used for calculating the benefit obligation and for measuring the benefit's net cost

1. The main assumptions used for calculating the benefit obligation

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
Discount rate	**1.20**	0.98	0.55
Rate of increase in the CPI	**2.63**	1.91	2.59
Departure rate[(b)]	**0.1-7**	0.1-3.7	0.1-7
Rate of compensation increase	**0-6.3**	0-6.3	0-6.3

2. The main assumptions used for calculating the cost of the net benefit for the period

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
Discount rate	**0.55**	1.00	0.92
Expected long-term return on plan assets	**4.50**	4.50	4.50
Rate of compensation increase	**0-6.3**	0-6.3	0-6.3

b. The effect of a one percentage point change on the expected benefit obligation before tax effect

	Increase by one percentage point			Decrease by one percentage point		
	As at March 31		As at December 31	As at March 31		As at December 31
	2022	2021	2021	**2022**	2021	2021
	Unaudited		Audited	Unaudited		Audited
	In NIS million					
Discount rate	**(2,349)**	(2,767)	(2,829)	**2,885**	3,445	3,507
Rate of increase in the CPI	**(411)**	(660)	(592)	**458**	745	665
Departure rate	**246**	316	256	**(269)**	(306)	(283)
Rate of compensation increase	**445**	732	650	**(400)**	(650)	(580)

(a) The assumptions are only in respect of the Bank's data.

(b) For employees who started working at the Bank before January 1 1999 and were awarded permanent employee status as of the date of signing the special collective bargaining agreement in 2000.

The employee benefits liability amount is affected by several key variables, which include market variables (discount rates of the liabilities for various periods) and actuarial variables, with some of the actuarial variables being associated with employee behavior. There may be a correlation between changes in market variables and changes in the behavioral actuarial variables. For example, in case of a sharp interest rate hike in the Israeli economy, government bond yields may rise (lowering the pension liability amounts), causing the number of employees opting for the pension fund track to decrease (a decision which will also decrease the Bank's pension liability amounts).

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

4. Plan assets

a. Composition of the fair value of plan assets

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Cash and deposits with banks	**89**	332	295
Shares	**1,557**	1,730	1,736
Government bonds	**351**	380	501
Corporate bonds	**809**	1,073	964
Other[(a)]	**6,434**	5,664	6,307
Total	**9,240**	9,179	9,803

(a) Including the effect of the transition to a paying fund in respect of the retirees. Please see Note 23.D. to the 2021 Annual Financial Statements.

b. Fair value of plan assets by type of asset and allocation target for 2022

	Allocation target	Percentage of plan assets		
	As at December 31	As at March 31		As at December 31
	2022	**2022**	2021	2021
	Unaudited			Audited
	In %			
Cash and deposits with banks	**3**	**1**	4	3
Shares	**18**	**17**	19	18
Government bonds	**5**	**4**	4	5
Corporate bonds	**10**	**9**	12	10
Other	**64**	**69**	61	64
Total	**100**	**100**	100	100

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

5. Cash flows

a. Contributions

	Forecast[a]	For the three months ended March 31		For the year ended December 31
	2022	**2022**	2021	2021
	Unaudited			Audited
	In NIS million			
Contributions	**75**	**25**	51	233

(a) The estimated contributions that the Bank expects to be made to the defined benefit plan by the end of 2022.

b. Benefits the Bank expects to pay in the future[a][b]

Year	In NIS million
2022	614
2023	852
2024	765
2025	818
2026	820
2027-2031	4,827
2032 and onwards	13,762
Total	22,458

(a) In discounted values.
(b) Less benefits for balances classified as held-for-sale assets.

Note 9A - Equity

Changes in the Bank's Equity

Treasury shares of the Bank

As of the reporting date, the Bank owns 71,824,258 treasury shares.

Circular on Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Order) - Proper Conduct of Banking Business Directive No. 250

On March 31 2020 the Bank of Israel published a circular entitled Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Order) (Directive No. 250) (hereinafter - the "Temporary Order"). In accordance with the temporary order, a banking corporation whose consolidated total assets equal or exceed 24 percent of the banking system's total assets is required to maintain a Common Equity Tier 1 capital ratio to risk-weighted assets that shall not fall below 9 percent and a ratio of total capital to risk-weighted assets that shall not fall below 12.5 percent (in lieu of 10 percent and 13.5 percent, respectively, prior to the circular). The directive is applicable to Leumi.

On the back of the ongoing development of the coronavirus event and its implications on the Israeli and global economies, the Banking Supervision Department decided to prolong, from time to time, the validity of the temporary order. On December 27 2021, the Banking Supervision Department published a circular according to which, as of January 1 2022, the temporary order will expire, except for specific provisions with a later expiry date; on January 18 2022, the Banking Supervision Department published another circular, according to which the temporary order would not be revoked, but rather revised.

According to the directive, the capital targets easement shall be in effect until December 31 2023, while the banking corporation's capital ratios shall be no less than the capital ratios on December 31 2021, or the minimum capital ratios applicable to the corporation prior to the temporary order, whichever the lower. As of December 31, 2021, the CET1 capital ratio of Leumi is 11.50 percent and the total capital ratio is 14.21 percent; therefore, as of January 1, 2022, Leumi is subject to the minimum capital targets in effect prior to the temporary order - i.e. the CET1 capital ratio shall not fall below 10 percent, and the total capital ratio shall not fall below 13.5 percent. It was also determined in the circular that for a period until June 30 2022, a reduction of up to 0.3 percent in the capital ratios shall not be deemed as deviating from the required capital ratios, subject to stringent and conservative capital planning and to reporting to the Banking Supervision Department.

As part of the Temporary Order, it was decided that the additional capital requirement of 1 percent of the outstanding housing loans, stipulated in Section 14A, will not be applicable to housing loans extended during the crisis period - from March 19 2020 to September 30 2021. To Proper Conduct of Banking Business Directive No. 329, "Restrictions on Granting Housing loans". In accordance with the circular published by the Banking Supervision Department on September 30 2021, as of October 1 2021, the easement remains in effect only in respect to the capital requirement for housing loans not intended for the purchase real estate properties (all-purpose loans). Accordingly, the additional capital requirement for housing loans, as at March 31 2022, is 0.19 percent in terms of CET1.

Accordingly, the minimum capital requirements applicable to the Bank as at March 31 2022 are 10.19 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

Regarding the leverage ratio, according to the temporary order, a banking corporation whose total consolidated assets constitute at least 24 percent of the Israeli banking system's total assets shall have a consolidated leverage ratio of no less than 5.5 percent (in lieu of 6 percent previously). On May 15 2022, a circular amending the temporary order was published, according to which the easement shall be extended until June 30 2024, with the leverage ratio not falling below the leverage ratio as of December 31 2023 or the minimum leverage ratio applicable to the banking corporation prior to the temporary order, whichever the lower. It was also determined that taking advantage of the easement shall not prevent the distribution of dividends, subject to a total capital planning aimed at reverting to the required leverage ratio.

Note 9A - Equity (cont.)

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.

As part of the implementation of this policy, and until the Board of Directors' decision of April 16 2020 to put an end to the dividend distribution and to the Bank's share buyback plan, against the backdrop of the coronavirus crisis, the Bank used to distribute a dividend of up to 40 percent of the quarterly net income and to regularly carry out a share buyback plan.

In the Banking Supervision Department circular dated December 27 2021, limitations on distribution of dividends were revoked and banking corporations were instructed to exercise due caution when examining their business model, as well as take into account the remaining uncertainty in the markets, due, among other things, to new virus mutations.

Accordingly, on May 23 2022, the Bank's Board of Directors approved a dividend distribution of NIS 322 million, which represents 20 percent of the net income of the first quarter of 2022, partly on the back on the Bank's substantial growth of credit. The dividend approved per share of NIS 1 par value amounted to 22.142 agorot. The Board of Directors set June 7 2022 as the record date for dividend payment purposes and June 15 2022 as the payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
August 12 2021	September 2 2021	43.36	630
November 15 2021	December 12 2021	94.11	1,367
March 9 2022	April 6 2022	40.48	588

Shelf Prospectus, Bond Issue and Commercial Securities

On May 27 2021, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority. The shelf prospectus is in effect for two years from its publication date.

On March 27 2022, the Bank issued a total of NIS 1.336 billion p.v. in Series 184 Bonds as well as NIS 697 million p.v. in commercial securities (CS Series 1).

The principal of Series 184 Bonds is repayable in ten equal semiannual payments, from November 5 2025 to May 5 2030. The principal is not linked and carries an annual interest of 2.76 percent, which will be paid twice a year on May 5 and November 5 of each of the years 2022 to 2030, in respect of the six-month period ended on the day preceding the payment date, except for the first interest payment, which shall be made on November 5 2022 for the period beginning on the first trading day following the tender date for the bonds, until November 4, 2022. The rate of the payable interest at the first interest payment date shall be 1.68625%. The principal of the Series 1 Commercial Securities and interest in respect thereof shall be payable in one lump sum on March 23 2023; it is not linked, and carries interest at a rate of 0.25 percent over the Bank of Israel's interest rate.

The Series 184 Bonds and Commercial Securities (Series 1 CS) are not recognized for regulatory capital purposes.

Note 9A - Equity (cont.)

In addition, on March 27 2022, the Bank issued a total of NIS 632 million p.v. in Series 405 Subordinated Bonds for NIS 654.7 million. The Series 405 Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 1.5 percent payable on March 27 of each year. The Subordinated Bonds are repayable in one lump sum on July 27 2033, with the issuer having an early repayment option in March 2028. At that date, if the Bank does not exercise its early repayment option, the bond's nominal interest rate shall be revised according to the difference between the benchmark interest rate at the issue date and the benchmark interest rate at the interest revision date, as defined by the shelf offering report.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 405 Subordinated Bonds shall be converted into ordinary shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set minimum rate (NIS 16.66 per share, subject to adjustments), the highest of the two.

These subordinated bonds Series 405 are eligible for inclusion in Tier 2 capital as of the issue date.

Note 9B - Capital Adequacy, Leverage and Liquidity

Overview

In May 2013, the Banking Supervision Department amended Proper Conduct of Banking Business Directives Nos. 201-211 on capital measurement and adequacy, in order to adapt them to the Basel III rules.

It should be noted that Basel III rules introduce significant changes in the calculation of regulatory capital requirements, inter alia, in relation to the following:

1. Regulatory capital components
2. Capital deductions and regulatory capital adjustments
3. Treatment of exposures to financial corporations
4. Treatment of exposures to credit risk for impaired debts
5. Capital allocation for CVA risk

The abovementioned amendments became effective on January 1 2014, and implementation is gradual pursuant to the transitional provisions set forth in Proper Conduct of Banking Business Directive No. 299, "Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions".

According to the transitional provisions, the regulatory adjustments and deductions from capital, as well as minority interests - which do not qualify as regulatory capital - were gradually deducted from the capital at a rate of 20 percent per year, from January 1 2014 to January 1 2018. Capital instruments that no longer qualify as regulatory capital were recognized up to a maximum of 80 percent on January 1 2014 and in each subsequent year, the maximum was lowered by an additional 10 percent, until January 1 2022. As of 2022, the maximum instrument amount qualifying as regulatory capital is 0 percent.

Volatile Capital Components

The employee benefits standard, which was first applied in January 2015, has a material effect on Leumi's Common Equity Tier 1 capital, mainly due to the liability being measured in accordance with market interest rates, which are at historical lows, and also due to the considerable volatility such measurement has brought to the Bank's regulatory capital.

In this context, on July 12 2016, the Bank received individual approval from the Bank of Israel regarding the method of calculating the discount rate to be used for calculating the liability for employee benefits for the purpose of measuring regulatory capital. Pursuant to the approval, the calculation of the discount rate is based on a moving average of market yields for the eight-quarter period ended on the reporting date. The change is to be implemented from the financial statements for the period ended June 30 2016 to the Annual Financial Statements as at December 31 2020. On January 13 2020, the Bank of Israel approved the extension of the validation of the approval for the Annual Financial Statements as at December 31 2024 (inclusive). The new method significantly moderates the volatility resulting from changes in the discounted interest rate.

On November 15 2016, the Bank's Board of Directors decided, based on the recommendation of the Audit Committee, to calculate the liabilities for employee pensions according to the fixed spread of internationally AA-rated bonds.

For regulatory capital purposes, the pension liability amounts to NIS 19,223 million and the Common Equity Tier 1 capital - to NIS 42,563 million, compared with a book value of NIS 18,754 million for the pension liability and Common Equity Tier 1 capital of NIS 41,437 million.

Following is an analysis of the effects of the changes on Common Equity Tier 1 capital as at March 31 2022:

- Change in total risk-weighted assets – risk-weighted assets amounted to NIS 395 billion as at March 31 2022. Every NIS 1 billion increase in risk-weighted assets will reduce the Common Equity Tier 1 capital ratio and total capital ratio by 0.03 percent.
- Change in Common Equity Tier 1 capital - Common Equity Tier 1 capital amounted to NIS 42.5 billion as of March 31 2022. A decrease of NIS 100 million in the Common Equity Tier 1 capital will reduce the CET1 capital ratio by approx. 0.02 percent.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
a. Data			
Capital for capital ratio calculation purposes			
CET1 capital, after regulatory capital deductions and adjustments[c][b]	**42,563**	40,446	43,117
Tier 2 capital, after deductions	**10,903**	10,333	10,148
Total capital	**53,466**	50,779	53,265
Balance of risk-weighted assets			
Credit risk[b]	**365,454**	317,777	346,602
Market risks	**6,178**	4,488	5,592
Operational risk	**23,147**	22,458	22,582
Total balance of risk-weighted assets	**394,779**	344,723	374,776
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted **assets**	**10.78%**	11.73%	11.50%
Ratio of total capital to risk-weighted assets	**13.54%**	14.73%	14.21%
Minimum CET 1 capital ratio set by the Banking Supervision Department[a]	**10.19%**	9.21%	9.19%
Minimum total capital ratio set by the Banking Supervision Department[a]	**13.50%**	12.50%	12.50%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk-weighted **assets**	**13.02%**	14.07%	13.40%
Ratio of total capital to risk-weighted assets	**13.88%**	15.25%	14.43%
Minimum CET 1 capital set by the local authorities[d]	**7.00%**	7.00%	7.00%
Minimum total capital ratio set by the local authorities[d]	**10.50%**	10.50%	10.50%

(a) The minimum Tier 1 capital ratio required and the minimum total capital ratio required from March 31 2020 are 10 percent and 13.5 percent, respectively. On March 31 2020, the Banking Supervision Department published a temporary order intended to address the coronavirus crisis, according to which the minimum Common Equity Tier 1 capital and minimum total capital ratio required are 9 percent and 12.5 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. Data regarding minimum total capital ratio required by the Banking Supervision Department for previous periods have been restated due to clarifications by the Banking Supervision Department that the additional capital requirement for housing loans will be added to the Common Equity Tier 1 capital. For more information about the temporary order for addressing the coronavirus crisis, please see Note 9A above. As of January 1 2022, the minimum capital requirements applicable to the Bank are 10 percent for Common Equity Tier 1 capital ratio (including capital requirements for outstanding housing loans) and 13.50 percent for total capital ratio.

(b) These data include adjustments for the efficiency plans prescribed in the Banking Supervision Department's letter entitled Operational Efficiency of the Banking System in Israel. The adjustments are deducted gradually until June 30 2022 and September 30 2024, respectively. On March 31 2022, a total of NIS 52 million was added to the balance of risk-weighted assets in respect of the adjustments to the efficiency plans (as at March 31 2021, NIS 7 million was deducted, as at December 31 2021 - NIS 78 million was deducted). For more information regarding the adjustments for the efficiency plans, please see Section D below.

(c) These data include adjustments in respect of the effect of first-time application of GAAP for expected loan losses, which are gradually reduced until December 31 2024. For more information regarding the adjustments for current expected credit losses, please see Section D below.

(d) The minimum Common Equity Tier 1 capital ratio and minimum total capital ratio required under local regulation are 4.5 percent and 8 percent, respectively. These ratios are compounded by a capital conservation buffer of 2.5 percent.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

C. Capital Components for Calculation of Capital Ratios

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
1. CET1 capital			
Shareholders' equity	**42,433**	39,118	41,610
Differences between shareholders' equity and Common Equity Tier 1 capital - non-controlling interests	**285**	283	300
Adjustments in respect of the transition from the accounting curve to the 8-quarter average yield curve[(a)]	**(357)**	1,065	1,304
Total CET1 capital before regulatory adjustments and deductions	**42,361**	40,466	43,214
Regulatory adjustments and deductions:			
Goodwill and intangible assets	**(207)**	(179)	(178)
Deferred taxes receivable	**(47)**	(55)	-
Regulatory adjustments and other deductions - CET1 capital	**(30)**	(17)	(23)
Total regulatory adjustments and deductions before adjustments in respect of efficiency plans and before adjustments for CECL - CET1 capital	**(284)**	(251)	(201)
Total adjustments for the efficiency plan	**135**	231	104
Total adjustments for current expected credit losses	**351**	-	-
Total CET1 capital, after regulatory adjustments and deductions	**42,563**	40,446	43,117
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**6,678**	6,361	6,153
Tier 2 capital: Provisions for loan losses, before deductions	**4,225**	3,972	3,995
Total Tier 2 capital before deductions	**10,903**	10,333	10,148
Deductions:			
Total deductions - Tier 2 capital	**-**	-	-
Total Tier 2 capital	**10,903**	10,333	10,148
Total capital	**53,466**	50,779	53,265

(a) Pursuant to specific approval by the Banking Supervision Department.

(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. For more information regarding the adjustments for current expected credit losses, please see Section D below.

Comment: The total capital ratio is calculated in accordance with Proper Conduct of Banking Business Directives No. 201-211, and 299 regarding capital measurement and capital adequacy, which became effective on January 1 2014.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

D. Effect of the Adjustments on the CET1 Capital Ratio

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk components, before the effect of adjustments for the efficiency plan and prior to the effects of adjustments for expected loan losses	**10.71%**	11.67%	11.47%
Adjustments in respect of the efficiency plan[(a)(b)]	**0.03%**	0.06%	0.03%
Adjustments for current expected credit losses[(c)]	**0.04%**	-	-
Ratio of CET1 capital to risk-weighted **assets**	**10.78%**	11.73%	11.50%

(a) Including the effect of adopting US GAAP regarding employee benefits.

(b) Adjustments for the efficiency plans in accordance with the provision of the Banking Supervision Department are charged over a 5-year period, on a straight-line basis, in respect of capital adequacy calculations.

(c) 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. For additional information, please see Note 1.B.1.

E. Leverage ratio pursuant to the Banking Supervision Department's directives

On April 28 2015, the Banking Supervision Department issued Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio". The directive sets a simple, transparent and non-risk-based leverage ratio to serve as a supplementary and reliable measure for risk-based capital requirements, with the purpose of limiting excess leverage in banking corporations.

The leverage ratio is expressed as a percentage, and is defined as the ratio between capital measurement and exposure measurement. As defined in Proper Conduct of Banking Business Directive No. 202, Tier 1 capital is used for calculating the leverage ratio, taking into account the transitional provisions. A bank's total exposure is the sum of its balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and to off-balance-sheet items. As a rule, the measurement is consistent with the accounting values, and no risk-weighting is applied. In addition, unless specifically permitted to do so under the Directive, the Bank may not use physical or financial collaterals, guarantees or other credit risk mitigation techniques to reduce the exposure measurement. Balance sheet assets deducted from Tier 1 capital (in accordance with Directive No. 202) are deducted from the exposure measurement. Pursuant to the Directive, the Bank calculates the exposure to derivatives according to Appendix C of Proper Conduct of Banking Business Directive No. 203, and the exposures for off-balance-sheet items - by converting the items' notional amount by credit conversion coefficients, as stipulated in Proper Conduct of Banking Business Directive No. 203.

Pursuant to the Directive, banking corporations shall have a consolidated leverage ratio of no less than 5 percent. A banking corporation whose total consolidated assets constitute at least 24 percent of the Israeli banking system's total assets shall have a consolidated leverage ratio of no less than 6 percent. Thus, the Bank is required to have a minimum leverage ratio of 6 percent.

On November 15 2020, the Bank of Israel published a circular outlining further amendments to Proper Conduct of Banking Business Directives for Handling the Coronavirus (Temporary Order) (Directive No. 250). The circular amends Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio", such that a banking corporation whose consolidated on-balance sheet assets is 24 percent or more than the total on-balance sheet assets of the banking system, shall comply with a leverage ratio of no less than 5.5 percent; according to the above, the minimum leverage ratio the Bank is required to meet is 5.5 percent. For more information about the temporary order for addressing the coronavirus crisis, please see Note 9A. Above.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

As for the easing of the leveraging requirements, the easement shall be in effect until December 31 2023, provided that the leverage ratio of a banking corporation does not fall below the leverage ratio as of June 30 2022 or the minimum leverage ratio applicable to the banking corporation prior to the temporary order, whichever the lower. On May 15 2022, a circular amending the temporary order was published, according to which the easement shall be extended until June 30 2024, with the leverage ratio not falling below the leverage ratio as of December 31 2023 or the minimum leverage ratio applicable to the banking corporation prior to the temporary order, whichever the lower. It was also determined that taking advantage of the easement shall not prevent the distribution of dividends, subject to a total capital planning aimed at reverting to the required leverage ratio.

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
a. Consolidated data[a][b]			
Tier 1 capital	**42,563**	40,446	43,117
Total exposures	**720,542**	612,517	711,125
Leverage ratio			
Leverage ratio	**5.91%**	6.60%	6.06%
Minimum total leverage ratio set by the Banking Supervision Department	**5.50%**	5.50%	5.50%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Leverage ratio	**11.23%**	10.85%	11.66%
Minimum total leverage ratio set by the Banking Supervision Department	**5.00%**	5.00%	5.00%

(a) The data include adjustments in respect of the efficiency plan in accordance with the directives of the Banking Supervision Department. The effect on the leverage ratio of the relief in respect of the efficiency plans as at March 31 2022 was negligible (0.01 percent and 0.03 percent as at December 31 2021 and March 31 2021, respectively). For more information regarding the adjustments for the efficiency plan, please see Section D above.
In addition, when calculating the leverage ratio, adjustments in respect of the implementation of the discount rate calculated over a moving average of the market yield for the eight quarters ended on the reporting date, in respect of certain actuarial liabilities, as outlined above, were taken into account.

(b) The data include adjustments in respect of CECL, in accordance with the directives of the Banking Supervision Department. The effect in respect of CECL on the leverage ratio as at March 31 2022, estimated at 0.02 percent, is imputed over 3 years.

F. Liquidity Coverage Ratio Pursuant to the Directives Issued by the Banking Supervision Department

On September 28 2014, a circular was published adding Proper Conduct of Banking Business Directive No. 221, “Liquidity Coverage Ratio”, which applies the recommendations of the Basel Committee regarding liquidity coverage ratio to the banking system in Israel. The liquidity coverage ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a banking corporation has an inventory of high-quality liquid assets that is able to cover the corporation’s liquidity requirements in this time horizon. 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" (the numerator) and sufficient buffers for them; it also prescribes the net cash outflow expected under the stress scenario defined in the Directive for 30 calendar days (the denominator).

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

The stress scenario set forth in the directive includes a shock scenario combining a corporation-specific shock and a systemic shock; in this context, standard withdrawal and deposit rates were defined for outflows and inflows, respectively, according to the various balance categories.

As from January 1 2017, the required minimum liquidity coverage ratio is 100 percent. However, in a period of financial pressure, a banking corporation may fall below these minimum requirements.

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
a. Consolidated data			
Liquidity coverage ratio	**120**	130	124
Minimum liquidity coverage ratio set by the Banking Supervision Department[a]	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**118**	128	122
Minimum liquidity coverage ratio set by the Banking Supervision Department	**100**	100	100

Comment: Bank Leumi USA is not subject to the liquidity coverage ratio.

(a) Currently, the Bank is reassessing its liquidity ratio calculation methodology; it believes that if a new methodology is applied, it will leave the Bank with a significantly higher liquidity ratio than the regulatory requirements. Thus, and in coordination with the Banking Supervision Department, the Bank has set an internal liquidity coverage ratio of 115 percent, in excess of the minimum liquidity coverage ratio set by the Banking Supervision Department.

G. Stable funding ratio in accordance with the directives of the Banking Supervision Department

As of the financial statements dated December 31 2021, the Bank is reporting the Net Stable Funding Ratio (NSFR) Directive No. 222, which is based on a publication of the Basel Committee. The NSFR is aimed at improving the resilience of banking corporations' liquidity risk profile in the long term, by requiring them 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 and separate levels each quarter; the requirement is to meet a 100 percent ratio.

	March 31	December 31
	2022	2021
	Unaudited	Audited
	In %	
a. Consolidated data		
Net stable funding ratio	**127**	131
Minimum net stable funding ratio set by the Banking Supervision Department	**100**	100

Note 10 - Contingent Liabilities and Special Commitments

A. Contingent Liabilities and Other Special Commitments

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Commitments to purchase securities	**672**	679	686
Commitments to invest in, and purchase of, buildings and equipment	**182**	38	23

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Credit sale activity			
Book balance of sold loans	**422**	-	217
Cash proceeds	**437**	-	217
Total net income on sale of loans	**15**	-	-

B. Legal claims

During the regular course of business, legal claims have been filed against the Bank and certain consolidated companies, including class actions certification motions. Note 26 to the Bank's Annual Financial Statements as at December 31 2021 included information regarding all pending material legal claims as of the publication date of the Annual Financial Statements. The following note contains information regarding material legal claims filed during the reporting period and close to its publication date, if any, as well as changes that occurred in respect of material lawsuits filed in previous reporting periods; the note does not contain information regarding legal claims reported in Note 26 to the Bank's Annual Financial Statements as at December 31 2021 in which no change has occurred.

In the opinions of the management of the Bank and the managements of the consolidated companies - which are based on legal opinions regarding the expected results of such claims, including class action certification motions - the financial statements reflect adequate provisions, where needed, to cover any damages resulting from such claims.

In the opinion of the management of the Bank and the managements of the consolidated companies, the total additional exposure arising from legal claims filed against the Bank and the consolidated companies on various issues the amount of each of which exceeds NIS 2 million, and regarding which the chances of the claims succeeding are not remote, amounts to NIS 337 million.

1. Following are the changes in material claims reported in Note 26 to the Annual Financial Statements of the Bank as at December 31 2021:

   1.1. On September 16 2018, a motion for class certification was filed against the Bank. The applicant claims that when the Bank reimburses its customers for unlawful charges (for example, by mistake), it refunds them at face value - the same amount it has charged them - without taking into account the Bank's gains as a result of holding the funds or paying interest and linkage differentials. The applicant claims he has incurred a damage of NIS 0.51, and is unable to estimate the total class damage amount. On February 23 2022, the applicant filed a motion to withdraw from the claim; as a result, the class action

Note 10 - Contingent Liabilities and Special Commitments (cont.)

lawsuit was deleted, the personal claim of the applicant was rejected, and the legal proceeding was thus concluded.

1.2. On September 6 2021, a class certification motion was filed with the District Court (Central Region) against five banks, including the Bank, stating that the plaintiffs suffered damage due to the fact that the banks present fees and commissions for certain transactions in foreign currency rather than in shekels, and charge these fees and commissions in shekels with a higher exchange rate than the representative exchange rates. The applicants did not name a group damage amount. On May 9 2022, the court approved the withdrawal motion filed by the plaintiffs and imposed on them the defendants' legal fees; the legal proceeding was thus concluded.

2. As at the publication date of the Financial Statements, there are no pending material legal claims against the Bank's subsidiaries, excluding that which is outlined in Section 2.1.e. to Note 26 of the Bank's Annual Financial Statements as at December 31 2021.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates

A. Volume of Consolidated Activity

	March 31 2022 (unaudited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	8,764	30,367	39,131
Written options	1,270	1,594	2,864
Purchased options	-	863	863
Swaps[(a)]	30,112	252,445	282,557
Total[(b)]	40,146	285,269	325,415
Of which: Hedging derivatives[(c)]	6,821	-	6,821
b) Foreign currency contracts			
Futures and forwards[(d)]	62,832	287,664	350,496
Written options	1,173	24,564	25,737
Purchased options	1,173	25,464	26,637
Swaps	159	17,215	17,374
Total	65,337	354,907	420,244
c) Stock contracts			
Futures and forwards	386	167,536	167,922
Written options	1,166	52,787	53,953
Purchased options[(e)]	793	52,812	53,605
Other	7	-	7
Swaps	467	104,622	105,089
Total	2,819	377,757	380,576
d) Commodities and other contracts			
Futures and forwards	-	6,341	6,341
Written options	-	268	268
Purchased options	-	267	267
Swaps	-	6,910	6,910
Total	-	13,786	13,786
Total nominal amount	108,302	1,031,719	1,140,021

(a) Of which: swaps for which the banking corporation pays a fixed interest of NIS 145,938 million.
(b) Of which: NIS-CPI swaps totaling NIS 15,642 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: foreign exchange spots totaling NIS 34,048 million.
(e) Of which a total of NIS 52,708 million is traded on the Tel Aviv Stock Exchange.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	March 31 2021 (unaudited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	1,751	13,222	14,973
Written options	1,500	6,575	8,075
Purchased options	-	2,746	2,746
Swaps[(a)]	21,193	197,868	219,061
Total[(b)]	24,444	220,411	244,855
Of which: Hedging derivatives[(c)]	6,911	-	6,911
b) Foreign currency contracts			
Futures and forwards[(d)]	41,230	245,050	286,280
Written options	1,021	34,563	35,584
Purchased options	1,021	33,844	34,865
Swaps	683	19,648	20,331
Total	43,955	333,105	377,060
c) Stock contracts			
Futures and forwards	545	115,478	116,023
Written options	702	36,831	37,533
Purchased options[(e)]	621	36,940	37,561
Swaps	116	83,546	83,662
Total	1,984	272,795	274,779
d) Commodities and other contracts			
Futures and forwards	-	3,857	3,857
Written options	-	296	296
Purchased options	-	296	296
Swaps	-	184	184
Total	-	4,633	4,633
Total nominal amount	70,383	830,944	901,327

(a) Of which: swaps for which the banking corporation pays a fixed interest of NIS 110,265 million.
(b) Of which: NIS-CPI swaps totaling NIS 12,495 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 15,474 million.
(e) Of which a total of NIS 36,573 million is traded on the Tel Aviv Stock Exchange.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	December 31 2021 (audited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	5,775	19,214	24,989
Written options	1,244	1,906	3,150
Purchased options	-	1,523	1,523
Swaps[(a)]	24,131	208,781	232,912
Total[(b)]	31,150	231,424	262,574
Of which: Hedging derivatives[(c)]	6,422	-	6,422
b) Foreign currency contracts			
Futures and forwards[(d)]	62,183	239,898	302,081
Written options	1,160	29,797	30,957
Purchased options	1,160	26,927	28,087
Swaps	156	18,295	18,451
Total	64,659	314,917	379,576
c) Stock contracts			
Futures and forwards	299	195,851	196,150
Written options	1,099	22,234	23,333
Purchased options[(e)]	983	22,343	23,326
Other	7	-	7
Swaps	572	101,155	101,727
Total	2,960	341,583	344,543
d) Commodities and other contracts			
Futures and forwards	-	420	420
Written options	-	261	261
Purchased options	-	260	260
Swaps	-	15,826	15,826
Total	-	16,767	16,767
Total nominal amount	98,769	904,691	1,003,460

(a) Of which: swaps for which the banking corporation pays a fixed interest of NIS 117,740 million.
(b) Of which: NIS-CPI swaps totaling NIS 15,102 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: foreign exchange spots totaling NIS 11,156 million.
(e) Of which a total of NIS 22,166 million is traded on the Tel Aviv Stock Exchange.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	March 31 2022 (unaudited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	556	3,543	4,099	499	3,720	4,219
Of which: Hedging derivatives	341	-	341	79	-	79
b) Foreign currency contracts	270	4,085	4,355	65	4,410	4,475
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	62	10,933	10,995	56	11,183	11,239
d) Commodities and other contracts	-	627	627	-	623	623
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)(b)]	888	19,188	20,076	620	19,936	20,556
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	888	19,188	20,076	620	19,936	20,556
Of which: Not subject to a master netting - or similar arrangements	10	528	538	31	566	597

(a) Of which: NIS 21 million in gross fair value of assets in respect of embedded derivatives, NIS 23 million in gross fair value of liabilities in respect of embedded derivatives.
(b) Of which: NIS 58 million in gross fair value of assets in respect of held-for-sale derivative instruments, NIS 88 million in gross fair value of liabilities in respect of held-for-sale derivative instruments. For more information, please see Note 16.B.

	March 31 2021 (unaudited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	403	4,044	4,447	390	4,135	4,525
Of which: Hedging derivatives	278	-	278	201	-	201
b) Foreign currency contracts	149	3,721	3,870	166	3,857	4,023
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	26	4,546	4,572	33	4,542	4,575
d) Commodities and other contracts	-	175	175	-	174	174
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)]	578	12,486	13,064	589	12,708	13,297
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	578	12,486	13,064	589	12,708	13,297
Of which: Not subject to a master netting - or similar arrangements	18	323	341	-	474	474

(a) Of which: NIS 3 million in gross fair value of assets in respect of embedded derivatives, NIS 28 million in gross fair value of liabilities in respect of embedded derivatives.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	December 31 2021 (audited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	239	2,874	3,113	310	3,033	3,343
Of which: Hedging derivatives	148	-	148	174	-	174
b) Foreign currency contracts	117	4,641	4,758	122	5,944	6,066
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	46	5,766	5,812	70	5,745	5,815
d) Commodities and other contracts	-	348	348	-	337	337
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross(a)	402	13,629	14,031	502	15,059	15,561
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	402	13,629	14,031	502	15,059	15,561
Of which: Not subject to a master netting - or similar arrangements	10	303	313	14	449	463

(a) Of which: NIS 4 million in gross fair value of assets in respect of embedded derivatives, NIS 10 million in gross fair value of liabilities in respect of embedded derivatives.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting Hedges

1. Effect of hedge accounting of cash flows on accumulated other comprehensive income (loss)

	For the three months ended March 31 2022	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Unaudited	
	In NIS million	
Derivatives used for cash flow hedges[(b)]		
Interest rate contracts[(c)]	(74)	2

	For the three months ended March 31 2021	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Unaudited	
	In NIS million	
Derivatives used for cash flow hedges[(b)]		
Interest rate contracts[(c)]	(36)	-

	For the year ended December 31 2021	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Audited	
	In NIS million	
Derivatives used for cash flow hedges[(b)]		
Interest rate contracts[(c)]	(40)	(1)

(a) Profit (loss) amounts reclassified from accumulated other comprehensive income (loss) were included in the interest income (expense) line item or in the noninterest finance income (expense) line item according to the line item in which the effect of the hedged item is presented.
(b) Represents amounts included in the hedge effectiveness assessment.
(c) The Bank designates certain derivatives as hedging instruments of cash flows - derivatives hedging an exposure to changes in cash flows from given loans. The effect of hedges is expected to lower the exposure to the given loans.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting Hedges (cont.)

2. Effect of fair value hedge accounting on profit (loss)

	For the three months ended March 31 2022
	Unaudited
	In NIS million
Total interest income (expense) recognized in the income statement	**(17)**
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts[(a)]	
Hedged items	**(315)**
Hedging derivatives	**300**
B. Gain (loss) on cash flow hedges	
Interest rate contracts	
Profit and loss reclassified to Accumulated other comprehensive income (loss)	**(2)**

	For the three months ended March 31 2021
	Unaudited
	In NIS million
Total interest income (expense) recognized in the income statement	(12)
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts[(a)]	
Hedged items	(398)
Hedging derivatives	386
B. Gain (loss) on cash flow hedges	
Interest rate contracts	
Profit and loss reclassified to Accumulated other comprehensive income (loss)	-

	For the year ended December 31 2021
	Audited
	In NIS million
Total interest income (expense) recognized in the income statement	(60)
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts[(a)]	
Hedged items	(293)
Hedging derivatives	232
B. Gain (loss) on cash flow hedges	
Interest rate contracts	
Profit and loss reclassified to Accumulated other comprehensive income (loss)	1

(a) The Bank designates certain derivatives as hedging instruments of fair value, derivatives hedging exposure to interest rate received for bonds.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting Hedges (cont.)

3. Items hedged by fair value hedges

	As at March 31 2022 (unaudited)		
		Fair value adjustments which increased (decreased) the book value	
	Book value of hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	**4,971**	**(333)**	**15**

	As at March 31 2021 (unaudited)		
		Fair value adjustments which increased (decreased) the book value	
	Book value of hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	6,066	-	17

	For the year ended December 31 2021 (audited)		
		Fair value adjustments which increased (decreased) the book value	
	Book value of hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	5,023	63	13

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting Hedges (cont.)

4. The effect of hedging a net investment in a foreign operation on accumulated other comprehensive income (loss) and on the income statement

	For the three months ended March 31 2022	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	Unaudited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits[(b)]	**(44)**	-

	For the three months ended March 31 2021	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	Unaudited	
Deposits serving as investment hedges, net		
Foreign currency deposits	(73)	-

	For the year ended December 31 2021	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]
	Audited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits	71	-

(a) Income (loss) amounts reclassified from accumulated other comprehensive income (loss) were included in the interest income (expense) line item or in the noninterest finance income (expense) line item.
(b) Including balances classified as held-for-sale assets and liabilities. For more information, please see Note 16.B.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting Hedges (cont.)

5. Effect of derivatives not designated as hedging instruments on the income statement

	For the three months ended March 31 2022
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	(50)
Foreign exchange contracts	1,299
Stock contracts	19
Commodity- and other contracts	-
Total	1,268

	For the three months ended March 31 2021
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	156
Foreign exchange contracts	975
Stock contracts	50
Commodity- and other contracts	2
Total	1,183

	For the year ended December 31 2021
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Audited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	143
Foreign exchange contracts	(1,623)
Stock contracts	162
Commodity- and other contracts	15
Total	(1,303)

(a) Included in the noninterest finance income (expenses) item.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit Risk for Derivatives by Contract Counterparty

	March 31 2022 (unaudited)					
	Stock exchanges	Banks	Dealers/ brokers	Govern-ments and central banks	Other	Total
	In NIS million					
Book balance in respect of derivatives[a][b]	352	6,239	9,056	149	4,280	20,076
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	2,812	4,040	14	2,772	9,638
Credit risk mitigation in respect of cash collateral received	-	3,135	4,999	82	400	8,616
Net amount of assets in respect of derivatives	352	292	17	53	1,108	1,822
Off-balance sheet credit risk for derivatives[d][e]	572	6,654	7,857	109	12,354	27,546
Mitigation of off-balance sheet credit risk	-	2,121	2,291	6	6,576	10,994
Net off-balance sheet credit risk for derivatives	572	4,533	5,566	103	5,778	16,552
Total credit risk for derivatives	924	4,825	5,583	156	6,886	18,374
Book balance of liabilities in respect of derivatives[a][c]	192	3,248	4,866	14	12,236	20,556
Gross amounts not netted on the balance sheet:						
Financial instruments	-	2,812	4,040	14	2,772	9,638
Pledged cash collateral	-	264	647	-	7,140	8,051
Net amount of liabilities in respect of derivatives	192	172	179	-	2,324	2,867

	March 31 2021 (unaudited)					
	Stock exchanges	Banks	Dealers/ brokers	Govern-ments and central banks	Other	Total
	In NIS million					
Book balance in respect of derivatives[a][b]	242	5,121	4,042	85	3,574	13,064
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	3,398	3,094	28	1,821	8,341
Credit risk mitigation in respect of cash collateral received	-	1,568	772	57	993	3,390
Net amount of assets in respect of derivatives	242	155	176	-	760	1,333
Off-balance sheet credit risk for derivatives[d][e]	384	6,314	4,915	106	8,913	20,632
Mitigation of off-balance sheet credit risk	-	3,119	1,982	21	3,948	9,070
Net off-balance sheet credit risk for derivatives	384	3,195	2,933	85	4,965	11,562
Total credit risk for derivatives	626	3,350	3,109	85	5,725	12,895
Book balance of liabilities in respect of derivatives[a][c]	152	4,774	3,398	28	4,945	13,297
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,398	3,094	28	1,821	8,341
Pledged cash collateral	-	1,172	303	-	1,678	3,153
Net amount of liabilities in respect of derivatives	152	204	1	-	1,446	1,803

Please see comments below.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit Risk for Derivatives by Contract Counterparty (cont.)

	December 31 2021 (audited)					
	Stock exchanges	Banks	Dealers/brokers	Govern-ments and central banks	Other	Total
	In NIS million					
Book balance in respect of derivatives[a][b]	315	6,133	4,181	220	3,182	14,031
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	2,566	2,816	2	1,933	7,317
Credit risk mitigation in respect of cash collateral received	-	3,410	1,139	216	182	4,947
Net amount of assets in respect of derivatives	315	157	226	2	1,067	1,767
Off-balance sheet credit risk for derivatives[d][e]	563	8,190	6,824	105	11,443	27,125
Mitigation of off-balance sheet credit risk	-	1,845	2,307	-	6,168	10,320
Net off-balance sheet credit risk for derivatives	563	6,345	4,517	105	5,275	16,805
Total credit risk for derivatives	878	6,502	4,743	107	6,342	18,572
Book balance of liabilities in respect of derivatives[a][c]	222	3,108	3,575	2	8,654	15,561
Gross amounts not netted on the balance sheet:						
Financial instruments	-	2,566	2,816	2	1,933	7,317
Pledged cash collateral	-	415	755	-	4,862	6,032
Net amount of liabilities in respect of derivatives	222	127	4	-	1,859	2,212

(a) The Bank did not apply netting agreements.
(b) Of which the carrying amount of standalone assets in respect of derivatives totaling NIS 20,055 million (as at March 31 2021 - NIS 13,061 million; as at December 31 2021 - NIS 14,027 million).
(c) Of which the carrying amount of standalone liabilities in respect of derivatives totaling NIS 20,533 million (as at March 31 2021 - NIS 13,269 million; as at December 31 2021 - NIS 15,551 million).
(d) Off-balance sheet credit risk for derivatives (including derivatives with negative fair value) before credit risk mitigation, as calculated for the purpose of limitations on borrower indebtedness.
(e) The difference, if positive, between all total amounts for derivatives (including derivatives with negative fair value) included in the borrower's indebtedness, as calculated for the purpose of borrower credit limitations, before credit risk mitigation, and the book balance of assets for the borrower's derivatives.

Comments:
1. No credit losses were recognized in respect of derivatives in the three-month periods ended March 31 2022, March 31 2021 and the year ended December 31 2021.
2. The effect of the counterparty credit risk and the effect of deferred gains at the transaction execution date on the valuation of assets for derivatives as at March 31 2022, March 31 2021 and December 31 2021 was NIS 188 million, NIS 146 million and NIS 174 million, respectively.
   The effect of the non-performance risk on the valuation of assets for derivatives as at March 31 2022, March 31 2021 and December 31 2021 was NIS 30 million, NIS 17 million and NIS 35 million, respectively.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

D. Breakdown of Settlement Dates - Par Value: Balances

	March 31 2022 (unaudited)				
	Up to three months	Over three months and up to one year	More than one year and up to five years	Over five years	Total
	In NIS million				
Interest rate contracts:					
NIS-CPI	2,150	3,215	7,445	2,832	15,642
Other	34,909	64,580	143,012	67,272	309,773
Foreign exchange contracts	255,129	139,183	18,953	6,979	420,244
Stock contracts	297,473	82,405	698	-	380,576
Commodity- and other contracts	6,172	1,556	6,058	-	13,786
Total	595,833	290,939	176,166	77,083	1,140,021
Total as at March 31 2021 (unaudited)	460,583	233,426	128,691	78,627	901,327
Total as at December 31 2021 (audited)	524,005	245,298	161,763	72,394	1,003,460

Note 12A - Regulatory Operating Segments

Overview

Information regarding regulatory operating segments was included in Note 29A to the financial statements as at December 31 2021.

Customer classification

Customers should be classified by operating segment according to their turnovers or characteristics (private individuals and other private customers - other). When a banking corporation has no information regarding the total income of a business customer who has no indebtedness towards the bank (including credit facilities, etc.), the bank may classify them into the relevant regulatory operating segment according to their total financial assets multiplied by a factor of 10. In addition, when the Bank believes that the total income does not represent the customer's activity volume, the customer should be classified as stated in the FAQ file.

During the period, measures were taken to complete missing information, mainly regarding business customers' turnovers. In cases where the information has not yet been completed, customers were classified using estimates and other information in the Bank's possession. The Bank continues to collect additional information.

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended March 31 2022 (unaudited)			
	Activity in Israel[a]			
	Households[e]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	1,405	1,084	12	2
Interest expense from external	67	-	-	16
Interest income, net:				
From external	1,338	1,084	12	(14)
Inter-segmental	(677)	(775)	-	25
Interest income (expense), net	661	309	12	11
Total noninterest income	254	12	63	44
Total income	915	321	75	55
Loan loss expenses (income)	(55)	(7)	(1)	-
Operating and other expenses:				
For external	658	85	59	27
Inter-segmental	4	-	-	-
Total operating and other expenses	662	85	59	27
Profit (loss) before taxes	308	243	17	28
Provision for income taxes (benefit)	112	86	6	10
Profit (loss) after taxes	196	157	11	18
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	196	157	11	18
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	196	157	11	18
Average balance of assets[b]	132,093	104,219	3,927	453
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b][f]	132,789	104,617	3,962	445
Outstanding loans to the public as at the end of the reporting period	136,392	107,701	4,146	450
Outstanding non-performing debts	704	518	2	-
Outstanding debts in arrears of over 90 days	48	-	-	-
Average outstanding liabilities[b]	120,937	26	4	26,010
Of which: Average balance of deposits by the public[b][g]	120,870	1	-	26,007
Balance of deposits by the public as at the end of the reporting period	121,895	-	-	26,620
Average balance of risk-weighted assets[b][c]	86,779	63,487	3,437	710
Balance of risk-weighted assets as at the end of the reporting period[c]	90,077	66,109	3,578	738
Average balance of assets under management[b][d]	65,970	2,961	-	52,341
Breakdown of interest income, net:				
Spread from granting loans to the public	604	309	12	1
Margin from deposit taking from the public	57	-	-	10
Other	-	-	-	-
Total interest income, net	661	309	12	11

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 17.0 billion to customers whose business activity is classified to business segments.
(f) Including average balances of assets classified as held-for-sale in the amount of NIS 18,190 million.
(g) Including average balances of liabilities classified as held for sale in the amount of NIS 22,301 million.

							Foreign operations[a]	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
506	241	629	5	309	-	3,097	264	3,361
28	24	68	66	185	-	454	8	462
478	217	561	(61)	124	-	2,643	256	2,899
(8)	-	(110)	82	694	2	8	(8)	-
470	217	451	21	818	2	2,651	248	2,899
223	99	158	52	50	(3)	877	73	950
693	316	609	73	868	(1)	3,528	321	3,849
(16)	20	-	(2)	24	-	(29)	(11)	(40)
384	111	118	46	100	163	1,607	187	1,794
-	-	-	-	-	(4)	-	-	-
384	111	118	46	100	159	1,607	187	1,794
325	185	491	29	744	(160)	1,950	145	2,095
116	66	174	10	262	(308)	442	41	483
209	119	317	19	482	148	1,508	104	1,612
-	-	-	-	7	-	7	-	7
209	119	317	19	489	148	1,515	104	1,619
-	-	-	-	-	-	-	10	10
209	119	317	19	489	148	1,515	94	1,609
57,888	35,531	100,872	2,728	284,577	8,000	622,142	33,368	655,510
-	-	-	-	1,109	-	1,109	-	1,109
58,340	35,756	101,742	2,728	-	-	331,800	23,835	355,635
60,338	37,399	105,229	9,058	-	-	348,866	24,899	373,765
417	235	1,156	2	-	-	2,514	314	2,828
33	-	-	-	-	-	81	-	81
89,093	62,050	87,045	126,981	60,528	14,996	587,640	26,138	613,778
88,992	61,963	84,435	126,415	-	-	508,682	24,953	533,635
89,821	63,410	93,504	118,674	-	-	513,924	25,323	539,247
54,029	37,628	114,097	1,050	33,183	16,778	344,254	30,522	374,776
56,619	40,859	127,821	1,633	28,529	17,673	363,949	30,830	394,779
81,871	32,594	123,379	1,057,594	58,158	5	1,471,912	18,497	1,490,409
443	204	440	5	1,088	2	2,787	236	3,023
27	13	11	16	(390)	-	(256)	(8)	(264)
-	-	-	-	120	-	120	20	140
470	217	451	21	818	2	2,651	248	2,899

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended March 31 2021 (unaudited)			
	Activity in Israel[(a)]			
	Households[(e)]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	920	611	13	2
Interest expense from external	43	-	-	17
Interest income, net:				
From external	877	611	13	(15)
Inter-segmental	(279)	(347)	-	26
Total interest income, net	598	264	13	11
Total noninterest income	258	13	58	42
Total income	856	277	71	53
Loan loss expenses (income)	(32)	(20)	(2)	-
Operating and other expenses:				
For external	696	75	57	26
Inter-segmental	6	-	-	-
Total operating and other expenses	702	75	57	26
Profit (loss) before taxes	186	222	16	27
Provision for income taxes (benefit)	65	80	6	10
Profit (loss) after taxes	121	142	10	17
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	121	142	10	17
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	121	142	10	17
Average balance of assets[(b)]	115,162	89,975	3,386	338
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	115,913	90,317	3,426	331
Outstanding loans to the public as at the end of the reporting period	118,882	92,275	3,981	361
Outstanding non-performing debts[(f)]	231	23	2	-
Outstanding debts in arrears of over 90 days	730	698	-	-
Average outstanding liabilities[(b)]	122,168	16	8	25,808
Of which: Average balance of deposits by the public[(b)]	122,104	-	-	25,806
Balance of deposits by the public as at the end of the reporting period	123,090	-	-	26,154
Average balance of risk-weighted assets[(b)(c)]	78,967	56,335	3,799	695
Balance of risk-weighted assets as at the end of the reporting period[(c)]	79,910	57,477	3,502	714
Average balance of assets under management[(b)(d)]	62,756	-	-	46,300
Breakdown of interest income, net:				
Spread from granting loans to the public	545	264	13	1
Margin from deposit taking from the public	53	-	-	10
Other	-	-	-	-
Total interest income, net	598	264	13	11

(a) The classification is based on the office's location.
(b) Average balance calculations will be based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 14.6 billion to customers whose business activity is classified to business segments.
(f) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

							Foreign operations[a]	Total
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	
470	225	512	3	236	-	2,368	244	2,612
18	16	37	39	82	-	252	12	264
452	209	475	(36)	154	-	2,116	232	2,348
(23)	(22)	(101)	49	350	(2)	(2)	2	-
429	187	374	13	504	(2)	2,114	234	2,348
205	78	141	46	484	59	1,313	61	1,374
634	265	515	59	988	57	3,427	295	3,722
(43)	(41)	(136)	-	24	-	(228)	16	(212)
397	117	102	54	95	172	1,659	180	1,839
-	-	-	3	(9)	-	-	-	-
397	117	102	57	86	172	1,659	180	1,839
280	189	549	2	878	(115)	1,996	99	2,095
102	70	200	-	312	(28)	731	22	753
178	119	349	2	566	(87)	1,265	77	1,342
-	-	-	-	7	-	7	-	7
178	119	349	2	573	(87)	1,272	77	1,349
-	-	-	-	-	-	-	9	9
178	119	349	2	573	(87)	1,272	68	1,340
51,185	29,732	74,817	4,853	235,655	11,693	523,435	29,233	552,668
-	-	-	-	764	-	764	-	764
51,758	29,989	75,929	4,854	-	-	278,774	22,332	301,106
53,466	31,412	83,293	2,009	-	-	289,423	23,330	312,753
618	382	1,495	2	-	-	2,728	472	3,200
50	-	-	-	-	-	780	13	793
78,987	48,946	73,891	79,707	48,065	13,081	490,653	23,847	514,500
78,891	48,865	70,389	79,156	-	-	425,211	22,388	447,599
81,102	54,584	72,039	76,698	-	-	433,667	26,745	460,412
49,136	32,806	94,872	753	26,802	18,505	302,536	28,315	330,851
51,855	34,170	100,050	818	29,333	18,175	315,025	29,698	344,723
71,562	26,547	87,283	866,778	37,747	-	1,198,973	15,864	1,214,837
405	179	366	5	633	(2)	2,132	216	2,348
24	8	8	8	(274)	-	(163)	(12)	(175)
-	-	-	-	145	-	145	30	175
429	187	374	13	504	(2)	2,114	234	2,348

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the year ended December 31 2021 (audited)			
	Activity in Israel[(a)]			
	Households[(e)]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	4,542	3,285	50	7
Interest expense from external	226	-	-	62
Interest income, net:				
From external	4,316	3,285	50	(55)
Inter-segmental	(1,819)	(2,159)	(1)	95
Total interest income, net	2,497	1,126	49	40
Total noninterest income	1,005	55	243	169
Total income	3,502	1,181	292	209
Loan loss expenses (income)	(185)	(141)	(2)	-
Operating and other expenses:				
For external	2,795	318	216	95
Inter-segmental	-	-	-	-
Total operating and other expenses	2,795	318	216	95
Profit (loss) before taxes	892	1,004	78	114
Provision for income taxes (benefit)	313	351	28	40
Profit (loss) after taxes	579	653	50	74
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	579	653	50	74
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	579	653	50	74
Average balance of assets[(b)]	121,559	95,435	3,532	384
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	122,401	95,741	3,571	377
Outstanding loans to the public as at the end of the reporting period	131,313	103,429	3,983	429
Outstanding non-performing debts[(f)]	224	20	2	-
Outstanding debts in arrears of over 90 days	657	609	-	-
Average outstanding liabilities[(b)]	122,028	17	5	25,698
Of which: Average balance of deposits by the public[(b)]	121,968	-	-	25,696
Balance of deposits by the public as at the end of the reporting period	120,483	-	-	25,965
Average balance of risk-weighted assets[(b)(c)]	81,285	58,708	3,512	701
Balance of risk-weighted assets as at the end of the reporting period[(c)]	86,779	63,487	3,437	710
Average balance of assets under management[(b)(d)]	66,598	3,070	-	50,077
Breakdown of interest income, net:				
Spread from granting loans to the public	2,267	1,126	49	5
Margin from deposit taking from the public	230	-	-	35
Other	-	-	-	-
Total interest income, net	2,497	1,126	49	40

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 16.4 billion to customers whose business activity is classified to business segments.
(f) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

							Foreign operations[a]	Total
Small- and micro-businesses	Mid-sized businesses	Corpo-rations	Institu-tional entities	Financial manage-ment	Other segment	Total activity in Israel	Total activity outside Israel	
1,962	920	2,206	19	1,017	-	10,673	999	11,672
85	71	184	221	440	-	1,289	37	1,326
1,877	849	2,022	(202)	577	-	9,384	962	10,346
(83)	(69)	(412)	256	2,049	(2)	15	(15)	-
1,794	780	1,610	54	2,626	(2)	9,399	947	10,346
826	324	593	181	1,909	256	5,263	248	5,511
2,620	1,104	2,203	235	4,535	254	14,662	1,195	15,857
(240)	(143)	(201)	3	(42)	-	(808)	(4)	(812)
1,555	458	445	232	395	692	6,667	761	7,428
-	-	-	1	11	(12)	-	-	-
1,555	458	445	233	406	680	6,667	761	7,428
1,305	789	1,959	(1)	4,171	(426)	8,803	438	9,241
462	280	689	-	1,495	(106)	3,173	102	3,275
843	509	1,270	(1)	2,676	(320)	5,630	336	5,966
-	-	-	-	101	-	101	-	101
843	509	1,270	(1)	2,777	(320)	5,731	336	6,067
-	-	-	-	-	-	-	39	39
843	509	1,270	(1)	2,777	(320)	5,731	297	6,028
53,702	31,356	82,652	4,627	254,205	8,314	556,799	32,368	589,167
-	-	-	-	794	-	794	-	794
54,311	31,680	83,743	4,634	-	-	297,146	22,942	320,088
57,527	34,534	93,927	5,824	-	-	323,554	23,837	347,391
419	399	1,148	2	-	-	2,192	401	2,593
70	7	3	-	-	-	737	204	941
82,423	55,562	78,271	93,592	50,565	14,081	522,220	26,405	548,625
82,329	55,480	75,279	93,030	-	-	453,782	25,078	478,860
86,888	60,874	90,223	127,883	-	-	512,316	24,953	537,269
51,505	34,396	101,581	909	29,661	17,892	317,930	29,375	347,305
54,029	37,628	114,097	1,050	33,183	16,778	344,254	30,522	374,776
78,350	28,887	104,078	934,492	47,450	4	1,309,936	17,748	1,327,684
1,701	743	1,577	18	3,349	(1)	9,659	878	10,537
93	37	33	35	(1,272)	1	(808)	(39)	(847)
-	-	-	1	549	(2)	548	108	656
1,794	780	1,610	54	2,626	(2)	9,399	947	10,346

Note 12B - Operating Segments - Management Approach

Overview

Operating segments reporting according to management approach presents the Bank's results by business line, in accordance with the Bank's organizational structure.
The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

Information regarding operating segments - management approach was included in Note 29B to the Annual Financial Statements as at December 31 2021.

Set forth below are the condensed results of operations according to management approach

	For the three months ended March 31 2022 (unaudited)											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private individuals	Small businesses	Retail banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	279	269	548	1,065	365	276	307	46	3	33	256	2,899
Inter-segmental	215	25	240	(707)	7	(80)	(36)	587	(1)	(2)	(8)	-
Interest income, net	494	294	788	358	372	196	271	633	2	31	248	2,899
Noninterest income (expense)	373	121	494	5	148	59	104	(78)	(9)	154	73	950
Total income	867	415	1,282	363	520	255	375	555	(7)	185	321	3,849
Loan loss expenses (income)	(50)	(44)	(94)	(1)	104	3	(51)	10	(3)	3	(11)	(40)
Total operating and other expenses	647	241	888	85	178	66	35	96	210	49	187	1,794
Profit (loss) before tax	270	218	488	279	238	186	391	449	(214)	133	145	2,095
Provision (benefit) for taxes	92	75	167	95	81	64	134	154	(286)	33	41	483
Net income (loss) attributable to the Bank's shareholders	178	143	321	184	157	122	257	295	72	107	94	1,609
Balances as at March 31 2022												
Loans to the public, net	31,293	25,824	57,117	108,947	56,419	46,526	48,088	20,258	5,646	1,099	5,675[(a)]	349,775
Deposits by the public	187,165	51,158	238,323	-	90,840	29,861	13,223	141,674	3	-	2,787[(b)]	516,711

(a) Excluding balances classified as held-for-sale assets in the amount of NIS 18,915 million.
(b) Excluding balances classified as held-for-sale liabilities in the amount of NIS 22,536 million.

Note 12B - Operating Segments - Management Approach (cont.)

Summary of financial performance according to management approach (cont.)

	For the three months ended March 31 2021 (unaudited)											
	The Bank									Sub-sid-iaries in Israel	Foreign subsid-iaries	Total
	Private individ-uals	Small busi-nesses	Retail banking - total	Mort-gages	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	286	265	551	613	328	272	234	93	1	23	233	2,348
Inter-segmental	165	14	179	(297)	(4)	(80)	(18)	218	-	1	1	-
Interest income, net	451	279	730	316	324	192	216	311	1	24	234	2,348
Noninterest income	363	113	476	4	113	57	78	388	89	108	61	1,374
Total income	814	392	1,206	320	437	249	294	699	90	132	295	3,722
Loan loss expenses (income)	(11)	(52)	(63)	(15)	(4)	(68)	(121)	36	6	1	16	(212)
Total operating and other expenses	691	236	927	75	189	74	29	103	214	48	180	1,839
Profit (loss) before tax	134	208	342	260	252	243	386	560	(130)	83	99	2,095
Provision (benefit) for taxes	46	71	117	89	86	83	132	192	12	20	22	753
Net income (loss) attributable to the Bank's shareholders	88	137	225	171	166	160	254	369	(142)	69	68	1,340

Balances as at March 31 2021												
Loans to the public, net	27,938	24,534	52,472	93,277	46,766	42,644	35,107	7,859	5,703	820	22,913	307,561
Deposits by the Public	184,654	49,134	233,788	-	75,069	26,449	10,650	87,708	3	-	26,745	460,412

Note 12B - Operating Segments - Management Approach (cont.)

Summary of financial performance according to management approach (cont.)

	For the year ended December 31 2021 (audited)											
	The Bank									Sub-sid-iaries in Israel	Foreign subsid-iaries	Total
	Private individ-uals	Small busi-nesses	Retail banking - total	Mort-gages	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	1,108	1,075	2,183	3,251	1,387	1,017	1,072	357	10	106	963	10,346
Inter-segmental	776	84	860	(1,893)	(20)	(312)	(137)	1,520	(2)	-	(16)	-
Interest income, net	1,884	1,159	3,043	1,358	1,367	705	935	1,877	8	106	947	10,346
Noninterest income	1,439	460	1,899	18	468	241	326	1,009	333	969[(a)]	248	5,511
Total income	3,323	1,619	4,942	1,376	1,835	946	1,261	2,886	341	1,075	1,195	15,857
Loan loss expenses (income)	(33)	(263)	(296)	(137)	(119)	(240)	(39)	31	(21)	13	(4)	(812)
Total operating and other expenses	2,770	982	3,752	322	731	277	134	420	825	206	761	7,428
Profit (loss) before tax	586	900	1,486	1,191	1,223	909	1,166	2,435	(463)	856	438	9,241
Provision (benefit) for taxes	200	308	508	407	418	311	399	833	81	216	102	3,275
Net income (loss) attributable to the Bank's shareholders	386	592	978	784	805	598	767	1,605	(544)	738	297	6,028
Balances as at December 31 2021												
Loans to the public, net	30,335	25,745	56,080	104,525	51,408	41,417	43,665	15,749	5,532	1,006	23,497	342,879
Deposits by the Public	185,452	51,329	236,781	-	86,466	33,621	13,395	142,050	3	-	24,953	537,269

(a) Includes the revenues of Leumi Partners Ltd. for realized and unrealized gain totaling NIS 518 million from the shares of ironSource and Retailors.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision

A. Debts[a] and Off-Balance-Sheet Credit Instruments

1. Change in outstanding loan loss provision

	For the three months ended March 31 2022 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, governments and held-to-maturity bonds	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	3,765	489	727	4,981	3	4,984
Adjustment to the opening balance due to the effect of first-time application[b]	804	(165)	22	661	26	687
Balance as at January 1 2022	4,569	324	749	5,642	29	5,671
Loan loss expenses (income)	1	(7)	(48)	(54)	14	(40)
Charge-offs	(167)	-	(78)	(245)	-	(245)
Collection of debts written off in previous years	167	-	76	243	-	243
Net charge-offs	-	-	(2)	(2)	-	(2)
Adjustments from translation of financial statements	5	-	-	5	-	5
Less balances classified as held-for-sale assets[c]	(276)	-	-	(276)	(9)	(285)
Outstanding loan loss provision as at the end of the reporting period[1]	4,299	317	699	5,315	34	5,349
[1]Of which: in respect of off-balance -sheet credit instruments	493	1	18	512	-	512

	For the three months ended March 31 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - Public	Banks and governments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,284	636	792	5,712	3	5,715
Loan loss expenses	(180)	(19)	(13)	(212)	-	(212)
Charge-offs	(114)	(3)	(74)	(191)	-	(191)
Collection of debts written off in previous years	241	-	71	312	-	312
Net charge-offs	127	(3)	(3)	121	-	121
Adjustments from translation of financial statements	10	-	-	10	-	10
Outstanding loan loss provision as at the end of the reporting period[1]	4,241	614	776	5,631	3	5,634
[1]Of which: in respect of off-balance -sheet credit instruments	422	-	17	439	-	439

(a) 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.

(b) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.B.1.

(c) For more information, please see Note 16.B.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts,[a] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision (cont.)

2. Additional information on calculating the loan loss provision for debts,[a] held-to-maturity bonds and available-for-sale bonds

	March 31 2022 (unaudited)					
	Loans to the public				Banks, governments and held-to-maturity bonds and available-for-sale	Total
	Commercial	Housing	Private - other	Total - public		
	In NIS million					
Recorded outstanding debt balance,[a] held-to-maturity bonds and available-for-sale bonds:						
Examined on a specific basis	193,631	-	397	194,028	104,914	298,942
Examined on a collective basis	43,347	107,964	28,426	179,737	1,254	180,991
Less balances classified as held-for-sale assets[b]	(18,844)	(50)	(293)	(19,187)	(5,643)	(24,830)
Total debts,[a] held-to-maturity bonds and available-for-sale bonds:	218,134	107,914	28,530	354,578	100,525	455,103
Outstanding loan loss provision in respect of debts,[a] held-to-maturity bonds and available-for-sale bonds:						
Examined on a specific basis	3,309	-	143	3,452	43	3,495
Examined on a collective basis	769	316	538	1,623	-	1,623
Less balances classified as held-for-sale assets[b]	(272)	-	-	(272)	(9)	(281)
Total loan loss provision	3,806	316	681	4,803	34	4,837

	March 31 2021 (unaudited)					
	Loans to the public				Banks, governments and held-to-maturity bonds and available-for-sale	Total
	Commercial	Housing	Private - other	Total - public		
	In NIS million					
Recorded outstanding debt balance,[a] held-to-maturity bonds and available-for-sale bonds:						
Examined on a specific basis	151,403	-	818	152,221	95,416	247,637
Examined on a collective basis	42,256	92,528	25,748	160,532	2,063	162,595
Total debts,[a] held-to-maturity bonds and available-for-sale bonds:	193,659	92,528	26,566	312,753	97,479	410,232
Outstanding loan loss provision in respect of debts,[a] held-to-maturity bonds and available-for-sale bonds:						
Examined on a specific basis	3,141	-	238	3,379	3	3,382
Examined on a collective basis	678	614	521	1,813	-	1,813
Total loan loss provision	3,819	614	759	5,192	3	5,195

(a) 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.

(b) For more information, please see Note 16.B.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts,[(a)] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision (cont.)

2. Additional information on calculating the loan loss provision for debts,[(a)] held-to-maturity bonds and available-for-sale bonds (cont.)

	December 31 2021 (audited)					
	Loans to the public				Banks, governments and held-to-maturity bonds and available-for-sale	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Recorded outstanding debt:[(a)]						
Examined on a specific basis	172,551	-	914	173,465	95,015	268,480
Examined on a collective basis[1]	43,157	103,688	27,081	173,926	1,708	175,634
Total debts[a1]	215,708	103,688	27,995	347,391	96,723	444,114
Outstanding loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	2,641	-	295	2,936	3	2,939
Examined on a collective basis	671	489	416	1,576	-	1,576
Total loan loss provision[3, 4]	3,312	489	711	4,512	3	4,515

(a) 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.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public

1. Credit quality and arrears

	March 31 2022 (unaudited)					
		Troubled[a]			Performing debts - additional information	
	Perfor-ming	Perfor-ming	Non-perfor-ming	Total	In arrears of 90 days or more[b]	In arrears of 30 days and up to 89 days[c]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	47,455	99	60	47,614	5	46
Construction & real estate - real estate activities	36,874	60	124	37,058	3	48
Financial services	29,371	13	6	29,390	-	3
Commercial - Other	85,138	1,389	859	87,386	25	121
Commercial - total	**198,838**	**1,561**	**1,049**	**201,448**	**33**	**218**
Private individuals - housing loans	107,318	52	518	107,888	-	559
Private individuals - other	27,798	439	186	28,423	48	163
Less balances classified as held-for-sale assets[d]	(107)	-	-	(107)	-	-
Total loans to the public - activity in Israel	**333,847**	**2,052**	**1,753**	**337,652**	**81**	**940**
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	14,212	273	304	14,789	-	59
Commercial - Other	19,005	966	770	20,741	-	440
Commercial - total	**33,217**	**1,239**	**1,074**	**35,530**	**-**	**499**
Private individuals	475	-	1	476	-	-
Less balances classified as held-for-sale assets[d]	(18,364)	(435)	(281)	(19,080)	-	(78)
Total, public - foreign activity	**15,328**	**804**	**794**	**16,926**	**-**	**421**
Total loans to the public	**349,175**	**2,856**	**2,547**	**354,578**	**81**	**1,361**

(a) Non-performing loans to the public, substandard or special mention.
(b) Classified as troubled, performing debts.
(c) Performing. Debts in arrears of 30 and up to 89 days, including balances classified as held-for-sale assets totaling NIS 550 million, were classified as troubled debt.
(d) For more information, please see Note 16.B.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

1. Credit quality and delinquency (cont.)

	March 31 2021 (unaudited)[d]					
		Troubled[a]			Performing debts - additional information	
	Perfor-ming	Perfor-ming	Non-perfor-ming	Total	In arrears of 90 days or more[b]	In arrears of 30 days and up to 89 days[c]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	31,409	139	48	31,596	5	41
Construction & real estate - real estate activities	30,952	209	255	31,416	15	91
Financial services	18,702	9	5	18,716	1	10
Commercial - Other	75,339	2,047	1,190	78,576	29	104
Commercial - total	156,402	2,404	1,498	160,304	50	246
Private individuals - housing loans	91,674	700	23	92,397	698	525
Private individuals - other	25,554	432	208	26,194	32	121
Total loans to the public – activity in Israel	273,630	3,536	1,729	278,895	780	892
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	12,347	558	245	13,150	-	428
Commercial - Other	17,965	1,015	1,225	20,205	13	418
Commercial - total	30,312	1,573	1,470	33,355	13	846
Private individuals	502	-	1	503	-	-
Total, public - foreign activity	30,814	1,573	1,471	33,858	13	846
Total loans to the public	304,444	5,109	3,200	312,753	793	1,738

(a) Non-performing loans to the public, substandard or special mention.
(b) Classified as troubled, performing debts.
(c) Performing. Debts in arrears of 30 and up to 89 days, totaling NIS 435 million, were classified as troubled debt.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

1. Credit quality and delinquency (cont.)

	December 31 2021 (audited)[d]					
		Troubled[a]			Performing debts - additional information	
	Performing	Perfor-ming	Non-perfor-ming	Total	In arrears of 90 days or more[b]	In arrears of 30 days and up to 89 days[c]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	41,063	98	64	41,225	6	58
Construction & real estate - real estate activities	34,622	96	138	34,856	36	35
Financial services	23,515	17	2	23,534	2	16
Commercial - Other	78,204	1,382	937	80,523	36	109
Commercial - total	177,404	1,593	1,141	180,138	80	218
Private individuals - housing loans	102,969	609	20	103,598	609	555
Private individuals - other	27,022	433	204	27,659	48	137
Total loans to the public - activity in Israel	307,395	2,635	1,365	311,395	737	910
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	13,872	333	269	14,474	7	178
Commercial - Other	19,258	880	958	21,096	197	338
Commercial - total	33,130	1,213	1,227	35,570	204	516
Private individuals	425	-	1	426	-	-
Total, public - foreign activity	33,555	1,213	1,228	35,996	204	516
Total loans to the public	340,950	3,848	2,593	347,391	941	1,426

(a) Non-performing loans to the public, substandard or special mention.
(b) Classified as troubled, performing debts.
(c) Performing. Debts in arrears of 30 and up to 89 days, totaling NIS 575 million, were classified as troubled debt.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

1.1 Credit quality by credit granting year

	March 31 2022 (unaudited)								
	Recorded outstanding debt of fixed loans to the public[b]						Recorded outstanding debt of renewed loans	Recorded outstanding debt of renewed loans converted to fixed loans	Total
	2022	2021	2020	2019	2018	Past			
	In NIS million								
Borrower activity in Israel									
Public - commercial									
Construction and real estate - total	26,144	14,687	5,989	4,482	2,449	4,572	26,144	205	84,672
Non-troubled credit	26,105	14,636	5,950	4,448	2,408	4,473	26,107	202	84,329
Troubled performing debt	29	35	17	20	11	19	27	1	159
Non-performing credit	10	16	22	14	30	80	10	2	184
Commercial - other, total	37,710	25,609	13,427	6,359	3,526	6,163	22,401	1,581	116,776
Non-troubled credit	37,553	25,314	13,023	6,109	3,224	5,723	22,001	1,562	114,509
Troubled performing debt	135	191	225	151	262	216	210	12	1,402
Non-performing credit	22	104	179	99	40	224	190	7	865
Private individuals - housing loans - total	8,410	25,945	15,439	10,624	7,212	40,258	-	-	107,888
LTV up to 60%	4,380	14,182	9,363	6,843	4,774	27,136	-	-	66,678
LTV more than 60% and up to 75%	4,004	11,699	6,024	3,727	2,390	11,830	-	-	39,674
LTV more than 75%	26	64	52	54	48	1,292	-	-	1,536
Non-delinquent credit	8,393	25,873	15,355	10,547	7,153	39,491	-	-	106,812
In arrears of 30-89 days	13	52	57	34	34	368	-	-	558
Non-performing credit	4	20	27	43	25	399	-	-	518
Private individuals - other - total	3,639	9,561	4,646	2,546	1,225	864	5,783	159	28,423
Non-delinquent credit	3,636	9,448	4,571	2,483	1,190	840	5,708	150	28,026
In arrears of 30-89 days	3	54	23	19	12	8	44	-	163
In arrears of over 90 days	-	14	5	4	2	1	22	-	48
Non-performing credit	-	45	47	40	21	15	9	9	186
Less balances classified as held-for-sale assets[a]	-	(60)	-	-	-	-	(47)	-	(107)
Total loans to the public - activity in Israel	75,903	75,742	39,501	24,011	14,412	51,857	54,281	1,945	337,652
Total loans to the public - activity abroad	4,756	5,057	2,287	972	24	119	3,690	21	16,926
Non-troubled loans	6,179	12,680	4,215	2,472	613	2,802	4,711	20	33,692
Troubled performing debt	7	305	163	383	47	70	263	1	1,239
Non-performing credit	1	172	91	527	5	133	146	-	1,075
Less balances classified as held-for-sale assets[a]	(1,431)	(8,100)	(2,182)	(2,410)	(641)	(2,886)	(1,430)	-	(19,080)
Total loans to the public	80,659	80,799	41,788	24,983	14,436	51,976	57,971	1,966	354,578

(a) For more information, please see Note 16.B.

(b) As a rule, in cases where fixed credit was provided in lieu of repayment of existing credit, the year of credit provision was revised according to the new credit provision date.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

2.a. Additional information on non-performing debts[(a)]

	March 31 2022 (unaudited)[(d)]					
	Outstanding [(b)] non-performing debts for which there is a provision	Outstanding provision	Outstanding [(b)] non-performing debts for which there is a provision	Total outstanding balance[(b)] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	120	34	64	184	1,086	-
Commercial - Other	673	244	192	865	2,763	1
Commercial - total	**793**	**278**	**256**	**1,049**	**3,849**	**1**
Private individuals - housing loans	518	76	-	518	518	-
Private individuals - other	186	150	-	186	485	-
Total loans to the public - activity in Israel	**1,497**	**504**	**256**	**1,753**	**4,852**	**1**
Borrower activity outside Israel						
Total public including balances classified as held-for-sale assets and liabilities - activity abroad	**1,037**	**302**	**38**	**1,075**	**1,291**	**2**
Less balances classified as held-for-sale assets and liabilities[(d)]	(245)	(63)	(36)	(281)	(401)	-
Total, public - foreign activity	**792**	**239**	**2**	**794**	**890**	**2**
Total - public[1]	**2,289**	**743**	**258**	**2,547**	**5,742**	**3**
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	**1,582**	**585**	**226**	**1,808**	**4,104**	
Measured on a specific basis according to fair value of collateral	**180**	**81**	**32**	**212**	**1,111**	
Measured on a collective basis	**527**	**77**	**-**	**527**	**527**	

(a) 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.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reported period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.
(d) For more information, please see Note 16.B.

Were the non-performing debts, including the balances classified as held-for-sale assets, to accrue interest according to the original terms and conditions, interest income in the amount of NIS 96 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts, including the total balance classified as a held-for-sale asset in the three months ended March 31 2022 is NIS 3,019 million.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

2.a. Additional information on non-performing debts[(a)] (cont.)

	March 31 2021 (unaudited)[(d)]					
	Outstanding[(b)] non-performing debts for which there is a provision	Outstanding provision	Outstanding[(b)] non-performing debts for which there is no provision	Total outstanding balance[(b)] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	212	31	91	303	1,285	2
Commercial - Other	931	385	264	1,195	3,234	3
Commercial - total	1,143	416	355	1,498	4,519	5
Private individuals - housing loans	23	6	-	23	23	-
Private individuals - other	207	156	1	208	668	2
Total loans to the public - activity in Israel	1,373	578	356	1,729	5,210	7
Borrower activity outside Israel						
Total, public - foreign activity	1,414	435	57	1,471	1,700	1
Total - public[1]	2,787	1,013	413	3,200	6,910	8
[1]Of which:						
Measured according to the present value of cash flows	2,282	850	319	2,601	5,224	
Measured according to fair value of collateral	482	157	94	576	1,663	
Measured on a collective basis	23	6	-	23	23	

(a) 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.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reported period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts). Please see Note 1.B.2.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 118 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the three months ended March 31 2021 is NIS 3,111 million.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Credit quality (cont.)

2.a. Additional information on non-performing debts[(a)] (cont.)

	December 31 2021 (audited)[(d)]					
	Outstanding[(b)] non-performing debts for which there is a provision	Outstanding provision	Outstanding[(b)] non-performing debts for which there is no provision	Total outstanding balance[(b)] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	130	36	72	202	1,224	3
Commercial - Other	736	289	203	939	2,871	9
Commercial - total	866	325	275	1,141	4,095	12
Private individuals - housing loans	20	5	-	20	20	-
Private individuals - other	202	155	2	204	666	7
Total loans to the public - activity in Israel	1,088	485	277	1,365	4,781	19
Borrower activity outside Israel						
Total, public - foreign activity	1,226	332	2	1,228	1,328	3
Total - public[1]	2,314	817	279	2,593	6,109	22
[1]Of which:						
Measured according to the present value of cash flows	1,792	656	240	2,032	4,536	-
Measured according to fair value of collateral	502	161	39	541	1,553	-
Measured on a collective basis	20	-	-	20	20	-

(a) 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.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reported period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 434 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the three months ended March 31 2021 is NIS 2,840 million.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

2.b. Additional information on restructured troubled debt

	As at March 31 2022				As at March 31 2021			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total
	Unaudited							
	In NIS million							
Borrower activity in Israel								
Public - commercial								
Construction and real estate	**109**	**2**	**23**	**134**	213	3	85	301
Commercial - Other	**586**	**8**	**183**	**777**	731	8	340	1,079
Commercial - total	**695**	**10**	**206**	**911**	944	11	425	1,380
Private individuals - housing loans	**98**	**1**	**51**	**150**	-	-	-	-
Private individuals - other	**171**	**6**	**178**	**355**	191	5	143	339
Total loans to the public - activity in Israel	**964**	**17**	**435**	**1,416**	1,135	16	568	1,719
Borrower activity outside Israel								
Total public including balances classified as held-for-sale - activity abroad	**767**	**-**	**17**	**784**	1,064	-	1	1,065
Less balances classified as held-for-sale assets[b]	**(152)**	**-**	**(9)**	**(161)**	-	-	-	-
Total, public - foreign activity	**615**	**-**	**8**	**623**	1,064	-	1	1,065
Total - public	**1,579**	**17**	**443**	**2,039**	2,199	16	569	2,784

	December 31 2021			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total
	Audited			
	In NIS million			
Borrower activity in Israel				
Public - commercial				
Construction and real estate	124	2	25	151
Commercial - Other	723	6	158	887
Commercial - total	847	8	183	1,038
Private individuals - other	185	5	162	352
Total loans to the public - activity in Israel	1,032	13	345	1,390
Borrower activity outside Israel				
Total, public - foreign activity	881	-	-	881
Total - public	1,913	13	345	2,271

(a) Performing.
(b) For more information, please see Note 16.B.

Comment: As of March 31 2022, troubled debt which underwent restructuring in the amount of NIS 1,952 million (as at March 31 2021 - NIS 2,784 million, as at December 31 2021 - NIS 2,271 million).

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

2.b. Additional information on restructured troubled debt (cont.)

1. **Debt restructurings**

	For the three months ended March 31 (unaudited)					
	2022			2021		
	No. of contracts	Recorded outstand-ing debt before restruc-turing	Recorded outstand-ing debt after restruc-turing	No. of contracts	Recorded outstand-ing debt before restruc-turing	Recorded outstand-ing debt after restruc-turing
		In NIS million			In NIS million	
Borrower activity in Israel						
Public - commercial						
Construction and real estate	61	9	9	51	16	16
Commercial - Other	306	58	57	313	306	306
Commercial - total	367	67	66	364	322	322
Private individuals - housing loans	50	17	17	-	-	-
Private individuals - other	1,467	61	61	1,208	70	70
Total loans to the public - activity in Israel	1,884	145	144	1,572	392	392
Borrower activity outside Israel						
Total, public - foreign activity	2	1	1	1	10	10
Total - public	1,886	146	145	1,573	402	402

2. **Failed debt restructurings[(a)]**

	For the three months ended March 31 (unaudited)			
	2022		2021	
	No. of contracts	Recorded outstanding debt	No. of contracts	Recorded outstanding debt
		In NIS million		In NIS million
Borrower activity in Israel				
Public - commercial				
Construction and real estate	44	9	51	5
Commercial - Other	164	15	277	40
Commercial - total	208	24	328	45
Private individuals - housing loans	85	14	-	-
Private individuals - other	580	18	554	17
Total loans to the public - activity in Israel	873	56	882	62
Borrower activity outside Israel				
Total public - foreign operations	-	-	1	-[(b)]
Total - public	873	56	883	62

(a) Debts which were in arrears of at least thirty days during the reporting year, restructured as part of the restructuring of troubled debt during the 12 months preceding the date on which they became delinquent.
(b) Balances of less than NIS 1 million.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

2.c. Additional information on non-performing delinquent credit

	March 31 2022 (unaudited)							
	Is not in arrears of 90 days or more	In arrears of 90 days to 180 days	In arrears of over 180 days and up to one year	In arrears of one year and up to 3 years	In arrears of more than 3 years and up to 5 years	In arrears of more than 5 years and up to 7 years	In arrears of more than 7 years	Total
	In NIS million							
Commercial	1,767	103	25	219	5	3	1	2,123
Housing loans	67	185	140	98	19	4	5	518
Private individuals - other	183	4	-	-	-	-	-	187
Less balances classified as held-for-sale assets[(a)]	(182)	(58)	-	(41)	-	-	-	(281)
Total	1,835	234	165	276	24	7	6	2,547

(a) For more information, please see Note 16.B.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

3. Additional information on housing loans

Outstanding end of period loan-to-value (LTV),[(a)] type of repayment and interest

		March 31 2022 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	**66,083**	**1,481**	**41,654**	**2,078**
	More than 60%	**41,876**	**771**	**26,317**	**2,196**
Unpledged secondary lien		**5**	**-**	**4**	**-**
Less balances classified as held-for-sale assets[(b)]		**(50)**	**(4)**	**(46)**	**-**
Total		**107,914**	**2,248**	**67,929**	**4,274**

		March 31 2021 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	59,137	1,526	37,288	1,656[(c)]
	More than 60%	33,386	622	21,443	1,651[(c)]
Unpledged secondary lien		5	-	3	-
Total		92,528	2,148	58,734	3,307

		December 31 2021 (audited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	64,176	1,500	40,492	1,815
	More than 60%	39,506	753	24,946	1,911
Unpledged secondary lien		6	-	5	-
Total		103,688	2,253	65,443	3,726

(a) The ratio between the approved credit facility on the date granted and the value of the asset, as approved by the Bank when granting the credit facility.
The LTV ratio provides an additional indication of the Bank's risk assessment of a customer on granting a credit facility.

(b) For more information, please see Note 16.B.

(c) Reclassified.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

C. Off-Balance-Sheet Financial Instruments

	March 31				December 31	
	2022[(d)]		2021		2021	
	Outstand-ing loan contracts[(a)]	Outstand-ing loan loss provision	Outstand-ing loan contracts[(a)]	Outstand-ing loan loss provision	Outstand-ing loan contracts[(a)]	Outstand-ing loan loss provision
	Unaudited				Audited	
	In NIS million					
Off-balance-sheet financial instruments						
Transactions in which the outstanding balance embodies credit risk:						
Documentary credit	**1,765**	**1**	1,450	4	1,640	3
Loan guarantees	**6,961**	**68**	5,520	76	6,048	83
Guarantees for apartment buyers	**30,731**	**16**	21,654	19	28,061	29
Guarantees and other commitments[(b)]	**19,863**	**72**	16,990	173	19,086	148
Unutilized credit card credit facilities	**8,465**	**15**	7,561	7	8,001	7
Unutilized current loan account facilities and other credit facilities in demand accounts	**13,584**	**43**	12,773	27	13,643	27
Irrevocable loan commitments approved but not yet granted	**44,464**	**241**	36,173	114	43,332	152
Commitments to issue guarantees	**20,452**	**59**	20,731	19	18,579	20
Unutilized credit facilities for derivatives activity	**3,177**	**-**	3,033	-	2,912	-
Approval in principle to maintain interest rate[(c)]	**9,642**	**-**	6,268	-	8,397	-

(a) The balance of the contracts or their nominal amounts as at the end of the period, before the effect of the loan loss provision.
(b) Including the Bank's liabilities for its share in the risk reserve of the TASE and the MAOF Clearing House in the amount of NIS 501 million (as at March 31 2021 and as at December 31 2021 in the amounts of NIS 430 million and NIS 498 million, respectively).
(c) Liabilities to extend credit to customers in the framework of "Authorization in principle and preserving the interest rate" to Proper Conduct of Banking Business Directive No. 451, "Procedures for Extending Housing Loans".
(d) Including a contract balance of NIS 4,853 million and a NIS 3 million loan loss provision balance in respect of held-for-sale operation. For more information, please see Note 16.B.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

D. Guarantees by Repayment Date

	March 31 2022 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	4,911	1,230	190	630	6,961
Guarantees for apartment buyers	-	30,731	-	-	30,731
Guarantees and other commitments	11,379	4,573	2,044	1,867	19,863
Total guarantees[(a)]	16,290	36,534	2,234	2,497	57,555

	March 31 2021 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	4,071	975	129	345	5,520
Guarantees for apartment buyers	-	21,654	-	-	21,654
Guarantees and other commitments	9,802	5,100	1,045	1,043	16,990
Total guarantees	13,873	27,729	1,174	1,388	44,164

	December 31 2021 (audited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	3,504	1,848	174	522	6,048
Guarantees for apartment buyers	-	28,061	-	-	28,061
Guarantees and other commitments	9,918	6,197	1,544	1,427	19,086
Total guarantees	13,422	36,106	1,718	1,949	53,195

(a) Including NIS 823 million in balance of guarantees for held-for-sale operation - for more information see Note 16.B.

The following collateral information reflects collaterals the Bank has received specifically against guarantees:
The balance of cash available to the Bank to cover for losses realized under these guarantees and indemnities totaled NIS 319 million (as at March 31 2021 - NIS 381 million, as at December 31 2021 - NIS 304 million). In addition, the balance of securities and other marketable assets held as collateral, totaled NIS 9 million (as at March 31 2021 - NIS 9 million, December 31 2021 - NIS 9 million).

Note 14 - Assets and Liabilities by Linkage Basis

	March 31 2022 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	151,631	-	7,965	1,148	3,544	686	164,974
Securities	26,070	5,512	47,909	5,161	5,503	4,205	94,360
Securities borrowed or purchased under reverse repurchase agreements	1,410	-	1,457	15	-	-	2,882
Loans to the public, net[c]	266,510	49,533	22,423	3,563	6,916	830	349,775
Loans to governments	260	191	435	267	-	-	1,153
Investments in associates	-	-	-	-	-	1,027	1,027
Buildings and equipment	-	-	-	-	-	2,640	2,640
Assets in respect of derivatives	4,232	308	4,136	155	202	10,964	19,997
Goodwill	-	-	-	-	-	-	-
Other assets	5,806	4	32	12	25	848	6,727
Held-for-sale assets[e]	10	-	25,305	78	51	452	25,896
Total assets	455,929	55,548	109,662	10,399	16,241	21,652	669,431
Liabilities							
Deposits by the Public	361,245	10,252	128,349	9,610	5,774	1,481	516,711
Deposits by banks	19,903	-	5,611	833	100	35	26,482
Deposits by governments	217	-	90	9	-	-	316
Securities loaned or sold under repurchase agreements	449	-	1,606	-	-	-	2,055
Bonds, promissory notes and subordinated bonds	4,876	14,188	2,395	-	-	-	21,459
Liabilities for derivatives	5,718	686	2,546	90	194	11,211	20,445
Other liabilities	5,318	9,806	126	25	110	412	15,797
Held-for-sale liabilities[e]	51	-	23,044	66	102	42	23,305
Total liabilities	397,777	34,932	163,767	10,633	6,280	13,181	626,570
Difference[d]	58,152	20,616	(54,105)	(234)	9,961	8,471	42,861
Effect of hedging derivatives:							
Derivatives (excluding options)	352	(352)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(35,206)	(4,457)	49,418	224	(10,351)	372	-
Held-for-sale derivative instruments[e]	(95)	-	97	(11)	9	-	-
In the money options, net (according to underlying asset)	(780)	-	1,011	(166)	(65)	-	-
Out of the money options, net (according to underlying asset)	(754)	-	1,101	(18)	(112)	(217)	-
Grand total	21,669	15,807	(2,478)	(205)	(558)	8,626	42,861
In the money options, net (discounted nominal value)	(1,493)	-	1,723	(153)	(77)	-	-
Out of the money options, net (discounted nominal value)	(3,164)	-	3,938	227	(231)	(770)	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 4,803 million.
(d) Shareholders' equity includes non-controlling interests.
(e) For more information, please see Note 16.B.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	March 31 2021 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	123,811	-	11,241	1,442	1,738	1,747	139,979
Securities	27,205	5,399	42,691	3,420	4,132	4,838	87,685
Securities borrowed or purchased under reverse repurchase agreements	465	-	3,113	-	1,052	-	4,630
Loans to the public, net[c]	221,197	44,772	31,356	3,323	6,006	907	307,561
Loans to governments	53	-	574	122	-	-	749
Investments in associates	-	-	-	-	-	790	790
Buildings and equipment	-	-	-	-	-	2,832	2,832
Assets in respect of derivatives	2,761	57	5,189	111	404	4,539	13,061
Goodwill	-	-	-	-	-	15	15
Other assets	6,222	4	1,095	-	40	1,271	8,632
Total assets	381,714	50,232	95,259	8,418	13,372	16,939	565,934
Liabilities							
Deposits by the Public	311,152	11,297	119,387	10,281	5,667	2,628	460,412
Deposits by banks	14,419	-	1,837	789	85	48	17,178
Deposits by governments	124	-	94	10	-	-	228
Securities loaned or sold under repurchase agreements	278	-	257	-	-	-	535
Bonds, promissory notes and subordinated bonds	2,842	7,752	2,514	-	-	-	13,108
Liabilities for derivatives	3,438	232	4,385	199	495	4,520	13,269
Other liabilities	8,605	11,794	706	20	131	393	21,649
Total liabilities	340,858	31,075	129,180	11,299	6,378	7,589	526,379
Difference[d]	40,856	19,157	(33,921)	(2,881)	6,994	9,350	39,555
Effect of hedging derivatives:							
Derivatives (excluding options)	-	-	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(22,845)	(1,392)	28,844	2,529	(7,681)	545	-
In the money options, net (according to underlying asset)	(3,910)	-	3,892	(12)	30	-	-
Out of the money options, net (according to underlying asset)	1,756	-	(1,807)	143	(107)	15	-
Grand total	15,857	17,765	(2,992)	(221)	(764)	9,910	39,555
In the money options, net (discounted nominal value)	(5,452)	-	5,377	37	38	-	-
Out of the money options, net (discounted nominal value)	6,282	-	(7,385)	1,134	(256)	225	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 5,192 million.
(d) Shareholders' equity includes non-controlling interests.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	December 31 2021 (audited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	176,335	-	14,955	886	4,078	1,148	197,402
Securities	18,954	5,729	49,865	2,612	5,408	4,359	86,927
Securities borrowed or purchased under reverse repurchase agreements	1,599	-	832	16	-	-	2,447
Loans to the public, net[c]	247,894	48,052	35,832	2,863	6,458	1,780	342,879
Loans to governments	9	196	468	267	-	-	940
Investments in associates	-	-	-	-	-	1,113	1,113
Buildings and equipment	-	-	-	-	-	2,720	2,720
Assets in respect of derivatives	4,543	162	3,169	63	126	5,964	14,027
Goodwill	-	-	-	-	-	14	14
Other assets	6,107	5	787	13	30	1,043	7,985
Total assets	455,441	54,144	105,908	6,720	16,100	18,141	656,454
Liabilities							
Deposits by the Public	360,890	10,650	147,260	9,843	5,690	2,936	537,269
Deposits by banks	18,327	-	5,556	1,376	106	5	25,370
Deposits by governments	223	-	69	8	-	-	300
Securities loaned or sold under repurchase agreements	1,024	-	1,258	-	-	-	2,282
Bonds, promissory notes and subordinated bonds	2,877	10,187	2,364	-	-	-	15,428
Liabilities for derivatives	6,363	456	2,449	92	241	5,950	15,551
Other liabilities	4,536	12,385	707	51	116	407	18,202
Total liabilities	394,240	33,678	159,663	11,370	6,153	9,298	614,402
Difference[d]	61,201	20,466	(53,755)	(4,650)	9,947	8,843	42,052
Effect of hedging derivatives:							
Derivatives (excluding options)	366[e]	(366)[e]	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(41,761)[e]	(3,824)[e]	51,145	4,988	(10,422)	(126)	-
In the money options, net (according to underlying asset)	790	-	(135)	(448)	(109)	(98)	-
Out of the money options, net (according to underlying asset)	(1,017)	-	1,410	(11)	(13)	(369)	-
Grand total	19,579	16,276	(1,335)	(121)	(597)	8,250	42,052
In the money options, net (discounted nominal value)	423	-	422	(517)	(172)	(156)	-
Out of the money options, net (discounted nominal value)	(104)	-	954	41	42	(933)	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 4,512 million.
(d) Shareholders' equity includes non-controlling interests.
(e) Reclassified.

Note 15A - Balances and Fair Value Estimates of Financial Instruments

	March 31 2022 (unaudited)				
	Book balance	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	164,974	155,670	8,104	894	164,668
Securities[(b)]	94,360	51,290	36,917	6,039	94,246
Securities borrowed or purchased under reverse repurchase agreements	2,882	2,882	-	-	2,882
Loans to the public, net	349,775	19,614	-	327,470	347,084
Loans to governments	1,153	-	65	1,087	1,152
Assets in respect of derivatives	19,997	8,745	9,130	2,122	19,997
Other financial assets	269	33	-	236	269
Held-for-sale financial assets[(e)]	25,199	2,246	3,279	19,518	25,043
Total financial assets	658,609[(c)]	240,480	57,495	357,366	655,341
Financial liabilities					
Deposits by the Public	516,711	20,897	386,975	104,584	512,456
Deposits by banks	26,482	4,069	5,388	16,545	26,002
Deposits by governments	316	-	270	37	307
Securities loaned or sold under repurchase agreements	2,055	2,055	-	-	2,055
Bonds, promissory notes and subordinated bonds	21,459	20,986	-	769	21,755
Liabilities for derivatives	20,445	8,877	11,136	432	20,445
Other financial liabilities	3,534	974	1,023	1,537	3,534
Held-for-sale financial liabilities[(e)]	23,093	-	21,174	381	21,555
Total financial liabilities	614,095[(c)]	57,858	425,966	124,285	608,109
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	339	-	-	339	339
In addition, liabilities in respect of employee benefits, net[(d)]	9,751	-	-	9,751	9,751

(a) Level 1 - Fair value measurements using quoted prices in an active market.
Level 2 - Fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the book balance and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 171,629 million and NIS 396,283 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

(e) For more information, please see Note 16.B.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	March 31 2021 (unaudited)				
	Book	Fair value			
	balance	Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	139,979	129,348[(e)]	9,154[(e)]	1,469[(e)]	139,971
Securities[(b)]	87,685	46,322	37,192	4,534	88,048
Securities borrowed or purchased under reverse repurchase agreements	4,630	4,630	-	-	4,630
Loans to the public, net	307,561	7,025[(e)]	-[(e)]	301,559[(e)]	308,584
Loans to governments	749	-	30	700	730
Assets in respect of derivatives	13,061	2,121	9,463	1,477	13,061
Other financial assets	964	33	-	931	964
Total financial assets	554,629[(c)]	189,479	55,839	310,670	555,988
Financial liabilities					
Deposits by the Public	460,412	11,483[(e)]	341,781[(e)]	105,973[(e)]	459,237
Deposits by banks	17,178	1,813[(e)]	2,866[(e)]	12,372	17,051
Deposits by governments	228	-	112	120	232
Securities loaned or sold under repurchase agreements	535	535	-	-	535
Bonds, promissory notes and subordinated bonds	13,108	13,163	-	793	13,956
Liabilities for derivatives	13,269	2,079	10,915	275	13,269
Other financial liabilities	7,025	647	5,032	1,346	7,025
Total financial liabilities	511,755[(c)]	29,720	360,706	120,879	511,305
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	314	-	-	314	314
In addition, liabilities in respect of employee benefits, net[(d)(e)]	11,682	-	-	11,682	11,682

(a) Level 1 - Fair value measurements using quoted prices in an active market.
Level 2 - Fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the book balance and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 142,048 million and NIS 320,787 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

(e) Reclassified.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	December 31 2021 (audited)				
	Book	Fair value			
	balance	Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	197,402	186,207	9,986	1,214	197,407
Securities[(b)]	86,927	47,337	34,343	5,613	87,293
Securities borrowed or purchased under reverse repurchase agreements	2,447	2,447	-	-	2,447
Loans to the public, net	342,879	14,526	-	328,614	343,140
Loans to governments	940	-	10	968	978
Assets in respect of derivatives	14,027	2,673	9,299	2,055	14,027
Other financial assets	822	25	-	797	822
Total financial assets	645,444[(c)]	253,215	53,638	339,261	646,114
Financial liabilities					
Deposits by the Public	537,269	16,021	413,534	105,358	534,913
Deposits by banks	25,370	3,917	4,308	17,052	25,277
Deposits by governments	300	-	188	98	286
Securities loaned or sold under repurchase agreements	2,282	2,282	-	-	2,282
Bonds, promissory notes and subordinated notes	15,428	15,640	-	824	16,464
Liabilities for derivatives	15,551	2,672	12,498	381	15,551
Other financial liabilities	2,781	460	987	1,334	2,781
Total financial liabilities	598,981[(c)]	40,992	431,515	125,047	597,554
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	324	-	-	324	324
In addition, liabilities in respect of employee benefits, net[(d)]	12,125	-	-	12,125	12,125

(a) Level 1 - Fair value measurements using quoted prices in an active market.
Level 2 - Fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the book balance and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 157,223 million and NIS 389,669 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

Note 15B - Items Measured at Fair Value

A. Items Measured at Fair Value on a Recurring Basis

	March 31 2022 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	24,787	4,900	29	29,716
Foreign governments' bonds	17,363	8,704	-	26,067
Bonds of Israeli financial institutions	51	-	-	51
Bonds of foreign financial institutions	-	9,844	953	10,797
Asset-backed (ABS) or mortgage -backed (MBS) bonds	-	3,146	3,167	6,313
Other Israeli bonds	403	175	-	578
Other foreign bonds	-	4,627	-	4,627
Total available-for-sale bonds	42,604	31,396	4,149	78,149
Available held-for-sale bonds	1,050	1,641	-	2,691
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,314	-	-	2,314
Held-for-sale equity securities not held for trading	47	-	-	47
Held-for-trading securities:				
Government of Israel bonds	1,455	-	-	1,455
Bonds of Israeli financial institutions	461	-	-	461
Bonds of foreign financial institutions	-	52	-	52
Asset-backed (ABS) or mortgage -backed (MBS) bonds	-	23	13	36
Other Israeli bonds	207	-	-	207
Other foreign bonds	-	85	-	85
Equity securities and mutual funds	14	-	-	14
Total held-for-trading securities	2,137	160	13	2,310
Assets in respect of derivatives:				
NIS-CPI contracts	-	164	190	354
Interest rate contracts	287	3,403	8	3,698
Foreign exchange contracts	-	3,348	897	4,245
Stock contracts	7,623	2,020	885	10,528
Commodity- and other contracts	290	195	142	627
MAOF (Israeli financial instruments and futures) market activity	545	-	-	545
Total underlying assets for derivatives	8,745	9,130	2,122	19,997
Assets in respect of held-for -sale derivative instruments	-	58	-	58
Other:				
Credit and deposits in respect of loaned securities	8,075	-	-	8,075
Securities borrowed or purchased under reverse repurchase agreements	2,882	-	-	2,882
Other	33	-	-	33
Total - other	10,990	-	-	10,990
Total assets	67,887	42,385	6,284	116,556

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	March 31 2022 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	373	126	499
Interest rate contracts	163	3,472	-	3,635
Foreign exchange contracts	-	4,066	299	4,365
Stock contracts	7,887	2,884	7	10,778
Commodity- and other contracts	282	341	-	623
MAOF (Israeli financial instruments and futures) market activity	545	-	-	545
Total liabilities in respect of derivatives	8,877	11,136	432	20,445
Liabilities in respect of held-for -sale derivative instruments	-	88	-	88
Other:				
Deposits in respect of loaned securities	7,512	2	-	7,514
Securities loaned or sold under repurchase agreements	2,055	-	-	2,055
Other	974	-	-	974
Total - other	10,541	2	-	10,543
Total liabilities	19,418	11,226	432	31,076

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	March 31 2021 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	27,583	4,779	34	32,396
Foreign governments' bonds	10,466	6,755	-	17,221
Bonds of Israeli financial institutions	-	68	-	68
Bonds of foreign financial institutions	-	8,856	8	8,864
Asset-backed (ABS) or mortgage -backed (MBS) bonds	-	4,830	2,711	7,541
Other Israeli bonds	133	114	-	247
Other foreign bonds	-	5,412	3	5,415
Total available-for-sale bonds	38,182	30,814	2,756	71,752
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	3,023	-	-	3,023
Held-for-trading securities:				
Government of Israel bonds	2,138	-	-	2,138
Foreign governments' bonds	1	-	-	1
Bonds of Israeli financial institutions	181	-	-	181
Bonds of foreign financial institutions	-	89	-	89
Asset-backed (ABS) or mortgage -backed (MBS) bonds	-	58	18	76
Other Israeli bonds	89	-	-	89
Other foreign bonds	-	37	-	37
Equity securities and mutual funds	55	-	-	55
Total held-for-trading securities	2,464	184	18	2,666
Assets in respect of derivatives:				
NIS-CPI contracts	-	100	134	234
Interest rate contracts	40	3,921	252	4,213
Foreign exchange contracts	8	2,751	970	3,729
Stock contracts	1,547	2,650	119	4,316
Commodity- and other contracts	132	41	2	175
MAOF (Israeli financial instruments and futures) market activity	394	-	-	394
Total underlying assets for derivatives	2,121	9,463	1,477	13,061
Other:				
Credit and deposits in respect of loaned securities	5,287	-	-	5,287
Securities borrowed or purchased under reverse repurchase agreements	4,630	-	-	4,630
Other	33	-	-	33
Total - other	9,950	-	-	9,950
Total assets	55,740	40,461	4,251	100,452

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	March 31 2021 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	239	87	326
Interest rate contracts	8	4,187	-	4,195
Foreign exchange contracts	7	3,697	188	3,892
Stock contracts	1,554	2,749	-	4,303
Commodity- and other contracts	131	43	-	174
MAOF (Israeli financial instruments and futures) market activity	379	-	-	379
Total liabilities in respect of derivatives	2,079	10,915	275	13,269
Other:				
Deposits in respect of loaned securities	5,287	22	3	5,312
Securities loaned or sold under repurchase agreements	535	-	-	535
Other	647	-	-	647
Total - other	6,469	22	3	6,494
Total liabilities	8,548	10,937	278	19,763

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	December 31 2021 (audited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	18,888	4,747	31	23,666
Foreign governments' bonds	19,715	6,797	-	26,512
Bonds of Israeli financial institutions	54	-	-	54
Bonds of foreign financial institutions	-	8,270	32	8,302
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	3,382	3,793	7,175
Other Israeli bonds	418	167	-	585
Other foreign bonds	-	5,133	3	5,136
Total available-for-sale bonds	39,075	28,496	3,859	71,430
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,601	-	-	2,601
Held-for-trading securities:				
Government of Israel bonds	2,591	-	-	2,591
Foreign governments' bonds	-	-	-	-
Bonds of Israeli financial institutions	288	-	-	288
Bonds of foreign financial institutions	-	27	-	27
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	31	11	42
Other Israeli bonds	106	-	-	106
Other foreign bonds	-	53	-	53
Equity securities and mutual funds	15	-	-	15
Total held-for-trading securities	3,000	111	11	3,122
Assets in respect of derivatives:				
NIS-CPI contracts	-	92	146	238
Interest rate contracts	42	2,707	124	2,873
Foreign exchange contracts	1	3,899	728	4,628
Stock contracts	2,077	2,523	803	5,403
Commodity- and other contracts	16	78	254	348
MAOF (Israeli financial instruments and futures) market activity	537	-	-	537
Total underlying assets for derivatives	2,673	9,299	2,055	14,027
Other:				
Credit and deposits in respect of loaned securities	8,203	-	-	8,203
Securities borrowed or purchased under reverse repurchase agreements	2,447	-	-	2,447
Other	25	-	-	25
Total - other	10,675	-	-	10,675
Total assets	58,024	37,906	5,925	101,855

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	December 31 2021 (audited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	257	90	347
Interest rate contracts	52	2,942	-	2,994
Foreign exchange contracts	-	5,650	284	5,934
Stock contracts	2,074	3,321	7	5,402
Commodity- and other contracts	9	328	-	337
MAOF (Israeli financial instruments and futures) market activity	537	-	-	537
Total liabilities in respect of derivatives	2,672	12,498	381	15,551
Other:				
Deposits in respect of loaned securities	8,176	6	-	8,182
Securities loaned or sold under repurchase agreements	2,282	-	-	2,282
Other	460	-	-	460
Total - other	10,918	6	-	10,924
Total liabilities	13,590	12,504	381	26,475

Note 15B - Items Measured at Fair Value (cont.)

B. Items Measured at Fair Value on a Non-Recurring Basis

	March 31 2022 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS million				
Collateral-dependent non -performing credit	-	-	212	212	79
Collateral-dependent non -performing held-for-sale credit	-	-	281	281	(23)
Total	-	-	493	493	56

	March 31 2021 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS million				
Collateral-dependent non-performing credit	-	-	576	576	125
Total	-	-	576	576	125

	December 31 2021 (audited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS million				
Collateral-dependent non-performing credit	-	-	541	541	76
Total	-	-	541	541	76

Note 15C - Items Measured at Fair Value on a Recurring Basis Included in Level 3

	For the three months ended March 31 2022 (unaudited)										
		Realized/unrealized gains (losses), net, which were included:									
	Fair value as at the beginning of the year	In the income statement[a]	In other comprehensive income[b]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[c]	Transfers from level 3[c]	Fair value as at March 31 2022	Unrealized gains (losses) in respect of instruments held as at March 31 2022
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	31	-	(2)	-	-	-	-	-	-	29	(1)
Foreign financial institutions	32	19	-	933	-	(31)	-	-	-	953	-
MBS/ABS	3,793	51	(51)	365	(19)	(153)	-	-	(819)	3,167	(84)
Other foreign entities	3	-	-	-	-	(3)	-	-	-	-	-
Total available-for-sale bonds	3,859	70	(53)	1,298	(19)	(187)	-	-	(819)	4,149	(85)
Held-for-trading bonds:											
MBS/ABS	11	1	-	-	(2)	-	-	3	-	13	-
Total held-for-trading bonds	11	1	-	-	(2)	-	-	3	-	13	-
Assets in respect of derivatives:											
NIS-CPI contracts	146	40	-	-	-	-	-	4	-	190	44
Interest rate contracts	124	119	-	-	-	(235)	-	-	-	8	(98)
Foreign exchange contracts	728	(1,054)	-	1,223	-	-	-	-	-	897	328
Stock contracts	803	82	-	-	-	-	-	-	-	885	183
Commodity- and other contracts	254	(112)	-	-	-	-	-	-	-	142	98
Total underlying assets for derivatives	2,055	(925)	-	1,223	-	(235)	-	4	-	2,122	555
Total assets	5,925	(854)	(53)	2,521	(21)	(422)	-	7	(819)	6,284	470
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	90	-	-	-	-	-	-	36	-	126	37
Foreign exchange contracts	284	15	-	-	-	-	-	-	-	299	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	381	15	-	-	-	-	-	36	-	432	37
Total liabilities	381	15	-	-	-	-	-	36	-	432	37

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" item.
(b) Unrealized gains (losses) included in "Statement of Changes in Equity" under "Accumulated other comprehensive income (loss)". The balance of unrealized other comprehensive income (loss), in respect of available-for-sale bonds held as at March 31 2022, amounted to NIS (85) million.
(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the three months ended March 31 2021 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of year	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from Level 3[(c)]	Fair value as at March 31 2021	Unrealized gains (losses) in respect of instruments held as at March 31 2021
	In NIS million										
Assets											
Available-for-sale securities:											
Israeli Government	33	1	-	-	-	-	-	-	-	34	1
Foreign financial institutions	-	1	-	-	-	-	-	7	-	8	-
MBS/ABS	2,556	122	(18)	189	(33)	(320)	-	215	-	2,711	(13)
Other foreign entities	8	-	-	-	-	(3)	-	-	(2)	3	-
Total available-for-sale bonds	2,597	124	(18)	189	(33)	(323)	-	222	(2)	2,756	(12)
Held-for-trading bonds:											
MBS/ABS	22	-	-	-	-	-	-	-	(4)	18	-
Other foreign entities	2	-	-	-	-	-	-	-	(2)	-	-
Total held-for-trading bonds	24	-	-	-	-	-	-	-	(6)	18	-
Assets in respect of derivatives:											
NIS-CPI contracts	148	(14)	-	-	-	-	-	-	-	134	(98)
Interest rate contracts	439	22	-	-	-	(209)	-	-	-	252	(369)
Foreign exchange contracts	1,158	(1,198)	-	1,010	-	-	-	-	-	970	136
Stock contracts	18	101	-	-	-	-	-	-	-	119	87
Commodity- and other contracts	4	(2)	-	-	-	-	-	-	-	2	(5)
Total underlying assets for derivatives	1,767	(1,091)	-	1,010	-	(209)	-	-	-	1,477	(249)
Total assets	4,388	(967)	(18)	1,199	(33)	(532)	-	222	(8)	4,251	(261)
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	63	(9)	-	-	-	-	-	33	-	87	33
Foreign exchange contracts	176	12	-	-	-	-	-	-	-	188	-
Total liabilities in respect of derivatives	239	3	-	-	-	-	-	33	-	275	33
Total - other	-	3	-	-	-	-	-	-	-	3	4
Total liabilities	239	6	-	-	-	-	-	33	-	278	37

(a) Realized gains (losses), net, reported in the income statement under the “noninterest finance income” item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss), in respect of available-for-sale bonds held as at March 31 2021, amounted to NIS (12) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the year ended December 31 2021 (audited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of year	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from Level 3[(c)]	Fair value as at December 31 2021	Unrealized gains (losses) for instruments held as at December 31 2021
	In NIS million										
Assets											
Available-for-sale securities:											
Israeli Government	33	(2)	-	-	-	-	-	-	-	31	2
Foreign financial institutions	-	1	-	-	-	-	-	31	-	32	-
MBS/ABS	2,556	119	(37)	1,539	(80)	(1,380)	-	1,076	-	3,793	(32)
Other foreign entities	8	-	-	-	-	(3)	-	-	(2)	3	-
Total available-for-sale bonds	2,597	118	(37)	1,539	(80)	(1,383)	-	1,107	(2)	3,859	(30)
Held-for-trading bonds:											
MBS/ABS	22	1	-	-	-	(8)	-	-	(4)	11	-
Other foreign entities	2	-	-	-	-	-	-	-	(2)	-	-
Total held-for-trading bonds	24	1	-	-	-	(8)	-	-	(6)	11	-
Assets in respect of derivatives:											
NIS-CPI contracts	148	(13)	-	-	-	-	-	11	-	146	(6)
Interest rate contracts	439	(106)	-	-	-	(209)	-	-	-	124	(309)
Foreign exchange contracts	1,158	(1,590)	-	1,160	-	-	-	-	-	728	499
Stock contracts	18	785	-	-	-	-	-	-	-	803	789
Commodity- and other contracts	4	250	-	-	-	-	-	-	-	254	254
Total underlying assets for derivatives	1,767	(674)	-	1,160	-	(209)	-	11	-	2,055	1,227
Total assets	4,388	(555)	(37)	2,699	(80)	(1,600)	-	1,118	(8)	5,925	1,197
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	63	(58)	-	-	-	-	-	85	-	90	18
Foreign exchange contracts	176	108	-	-	-	-	-	-	-	284	-
Stock contracts	-	-	7	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	239	50	7	-	-	-	-	85	-	381	18
Total - other	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	239	50	7	-	-	-	-	85	-	381	18

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at December 31 2021, amounted to NIS (30) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

	March 31 2022 (unaudited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale bonds[1]					
Government of Israel bonds	29	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Foreign financial institutions	953	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	3,167	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	13	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	184	Discounted cash flows	Expected inflation	0.50%-3.45%	1.97%
	6	Discounted cash flows	Counterparty risk	(*)0.16%-100%	1.07%
Interest rate contracts	8	Discounted cash flows	Counterparty risk	(*)0.16%-100%	1.07%
Foreign exchange contracts	897	Discounted cash flows	Counterparty risk	(*)0.16%-100%	1.07%
Stock contracts	885	Discounted cash flows	Counterparty risk	(*)0.16%-100%	1.07%
Commodity contracts	142	Discounted cash flows	Counterparty risk	(*)0.16%-100%	1.07%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	126	Discounted cash flows	Expected inflation	0.50%-3.45%	1.97%
Foreign exchange contracts	299	Discounted cash flows	Expected inflation	0.50%-3.45%	1.97%
Stock contracts	7	Discounted cash flows	Expected inflation	0.16%-100%	1.07%
b. Items measured at fair value on a non-recurring basis					
Impaired loans whose collection is collateral-dependent	212	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	March 31 2021 (unaudited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale bonds[1]					
Government of Israel bonds	34	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Foreign financial institutions	8	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	2,711	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Other foreign entities	3	Discounted cash flows	Spread	105-210 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	18	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	103	Discounted cash flows	Expected inflation	0.4%-1.37%	0.89%
	31	Discounted cash flows	Counterparty risk	(*)0.13%-100%	1.24%
Interest rate contracts	252	Discounted cash flows	Counterparty risk	(*)0.13%-100%	1.24%
Foreign exchange contracts	970	Discounted cash flows	Counterparty risk	(*)0.13%-100%	1.24%
Stock contracts	116	Discounted cash flows	Counterparty risk	(*)0.13%-100%	1.24%
Structured - stocks	3	Discounted cash flows	Stock prices	(0.01)%-0.06%	0.03%
Commodity contracts	2	Discounted cash flows	Counterparty risk	(*)0.13%-100%	1.24%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	87	Discounted cash flows	Expected inflation	0.4%-1.37%	0.89%
Foreign exchange contracts	188	Discounted cash flows	Expected inflation	0.4%-1.37%	0.89%
Other	3	Discounted cash flows	Stock prices	(0.01)%-0.06%	0.03%
b. Items measured at fair value on a non-recurring basis					
Impaired loans whose collection is collateral-dependent	579	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	December 31 2021 (audited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities[1]					
Government of Israel bonds	31	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Foreign financial institutions	32	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	3,793	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Other foreign entities	3	Discounted cash flows	Spread	110-215 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	11	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	138	Discounted cash flows	Expected inflation	0.16%-2.60%	1.38%
	8	Discounted cash flows	Counterparty risk	(*)0.15%-100%	0.97%
Interest rate contracts	124	Discounted cash flows	Counterparty risk	(*)0.15%-100%	0.97%
Foreign exchange contracts	728	Discounted cash flows	Counterparty risk	(*)0.15%-100%	0.97%
Stock contracts	803	Discounted cash flows	Counterparty risk	(*)0.15%-100%	0.97%
Commodity contracts	254	Discounted cash flows	Counterparty risk	(*)0.15%-100%	0.97%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	90	Discounted cash flows	Expected inflation	0.16%-2.60%	1.38%
Foreign exchange contracts	284	Discounted cash flows	Expected inflation	0.16%-2.60%	1.38%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.15%-100%	0.97%
b. Items measured at fair value on a non-recurring basis					
Impaired loans whose collection is collateral-dependent	541	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default.
   A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.
2. The following unobservable inputs were used to measure the derivatives' fair value: counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
   A change in the expected inflation rate will affect the contracts' fair value in accordance with the Bank's CPI-linked position on these contracts. The higher (lower) the expected inflation rate with the Bank committed to paying the CPI-linked amount, the lower (higher) the contracts' fair value, respectively. The higher (lower) the expected inflation rate with the counterparty committed to paying the Bank the CPI-linked amount, the higher (lower) the contracts' fair value, respectively.
3. The average figure for the unobservable input "counterparty risk" reflects a weighted average. The weighted average was calculated based on the relative fair value of the exposures.

Note 16 - Miscellaneous Topics and Events after the Balance Sheet Date

A. Impact of the Coronavirus Crisis and of the Russia-Ukraine War

The coronavirus pandemic is characterized by morbidity surges; in early 2022, the fifth surge of morbidity began, featuring quick contraction and causing widespread morbidity in the Israeli population, as well as worldwide, primarily in China, which implemented a policy of strict lockdowns with a "zero Covid" target. The strict restrictions in China harm its ongoing economic activity, creating delays in the global supply chain. The world is thus still exposed to the economic risks arising from the coronavirus restrictions, in addition to other economic risks, such as those arising from the Russia-Ukraine war.

In some leading world countries, the vaccination process, including administering booster shots, was relatively successful, which has contributed to the lifting of restrictions. While improving the capabilities of "living with the coronavirus", and due to the global economic impacts of the Russia-Ukraine war, inflation rates were up across the world, and central banks began restricting the use of easing measures and raising interest rates. As a result, the monetary easing - which was aimed at supporting high-morbidity economies was toned down and financial conditions were tightened. This applies to fiscal support, which was significantly reduced.

The Bank continues to monitor and follow up on risk focal points and market developments.

B. BLUSA - Held-for-sale assets and liabilities

On September 23, 2021, Bank Leumi Corporation (hereinafter - "BLC"), a US-based corporation (85 percent of which is held by the Bank), which wholly owns BLUSA, entered into a merger agreement with Valley National Bancorp (hereinafter - "Valley").

On April 1 2022, the merger was completed.

Valley is a banking holding company, which holds Valley National Bank (hereinafter - "Valley Bank"). Valley Bank was founded in 1927.

Following the completion of the transaction and execution of the merger procedures, BLC was merged into Valley and BLUSA was merged into Valley Bank (hereinafter - the "**Merger Agreement**").

The proceeds of the transaction will be paid to the Bank in Valley shares (90 percent of the proceeds) and the rest - in cash. Once the transaction has been completed, the Bank holds 14.2 percent of Valley's share capital and is not the largest shareholder, but as of the publication date, it is the largest shareholder in Valley.

It is noted that, as of this quarter, the investment in BLUSA is classified as a held-for-sale asset. As a result, as at March 31 2022, the balances of assets and liabilities of Bank Leumi USA (BLUSA) were classified separately, without classifying comparative results.

As of the second quarter of 2022, the Bank expects to treat its investment in Valley using the equity method.

As a result of the merger, a profit of NIS 645 million, net of tax, will be recorded. Out of the said amount, a total of NIS 194 million was recorded in the current quarter, and the balance will be recorded in the second quarter. The profit in this quarter stems primarily from a tax shield in the amount of NIS 174 million and an income of NIS 20 million from derivatives activity for the economic hedging of said transaction.

The Bank believes that the transaction will improve the capital ratios by 0.5 percent. Most of the improvement will be reflected on April 1 2022, once the merger has been completed.

BLUSA is presented as a held-for-sale disposal group. The book balances of BLUSA were presented as a single figure under assets and liabilities. There has been no change in the presentation format in the income statement.

Note 16 - Miscellaneous Topics and Events after the Balance Sheet Date (cont.)

Assets classified as held-for-sale – Balances of BLUSA for the purpose of Leumi Group's consolidated financial statements

	March 31 2022 (unaudited)
	In NIS million
Cash and deposits with banks	1,253
Securities	4,431
Loans to the public, gross	19,187
Loan loss provision	(272)
Loans to the public, net	18,915
Buildings and equipment	100
Goodwill	14
Assets in respect of derivatives	58
Other assets	1,125
Total assets held for sale	25,896

Liabilities classified as held-for-sale – Balances of BLUSA for the purpose of Leumi Group's consolidated financial statements

	March 31 2022 (unaudited)
	In NIS million
Deposits by the public	22,536
Deposits by banks	88
Liabilities for derivatives	88
Other liabilities	593
Total liabilities held for sale	23,305

C. Bank Leumi UK (BLUK)

On March 8 2022, the Bank's board of Directors approved the recommendation of BLUK's board to implement a measure which includes returning BLUK's regulatory license, such that after the measure will have been completed, BLUK will be a credit provision company. To this end, BLUK will be merged into LABL (hereinafter – the "Merged Company"). The Merged Company will provide credit primarily in the fields of real estate, hotels and ABL, to customers in the UK and Europe, including Israeli customers active in these geographies.

The implementation of the move is contingent on several conditions, including – a final decision by BLUK's board of directors and LABL's board of directors, receiving a permit from the Bank of Israel, receiving the approval of the English regulator and meeting the requirements of English law to complete the move. As of the reporting date, some of the conditions precedent have been met.

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

D. Sale of Beit Mani

Following on that stated in the Bank’s 2021 Annual Financial Statements regarding to offer to bid for the purchase of the property located at Yehuda Halevi Street in Tel Aviv (“Beit Mani”), on April 26 2022, the bid submitted by Sela Capital Real Estate Ltd. won. On May 18 2022, after the approval of the Bank’s competent organs, the sale agreement was signed.

Note 16 - Miscellaneous Topics and Events after the Balance Sheet Date (cont.)

For the purchase of Beit Mani, NIS 623 million will be paid to the Bank, with the addition of VAT. The pre-tax capital gain for the Bank is expected to be NIS 524 million, which will be recorded in the Bank's financial statements on the date in which management and the staff units will relocate to Lod, which is expected to take place in the second half of 2023.

The said sale transaction is another step in the Bank's plan to relocate its staff units and management to Leumi's Lod compound.

E. Cooperation agreement with Paxos

In April 2022, the Bank signed a cooperation agreement with US-based Paxos Trust Company LLC which will allow the Bank - for the first time in Israel (and among the first worldwide) - to offer its customers to buy, hold and sell cryptographic currencies (hereinafter - "crypto").

Paxos is a pioneer in creating solutions for managing digital assets for leading companies around the world. The company, which was founded in 2012, holds licenses from US regulators and is a regulated company. The company has dozens of customers and strategic investors, such as PayPal, Bank of America and Revolut. Paxos has more than USD 20 billion under management and serves more than 400 million end-customers around the world.

The planned activity model has significant advantages for the customer. Thus, for example, customers will not be required to have a private crypto wallet or to remember or manage the passwords for such a wallet, with all the risks involved therein. In addition, taxation aspects will be handled by the Bank, and the tax will be deducted on a regular basis.

At the first stage, the service is expected to be introduced to Pepper customers, followed by other customers of the Bank. Trading will be initially possible in Bitcoin and Etherium - the leading crypto currencies with the highest trading volumes worldwide. The service will be launched after obtaining all the required regulatory approvals.

F. Net cash from investing activities

Subsequent to the balance sheet date, there was a further decline in the market, inter alia on the back of the interest rate increase. Which led to a decrease in the value of available-for-sale bonds, including bonds purchased against interest rate exposure in pension liabilities, at the same time leading to a decline in pension liabilities.

There is a decline in the pension liability which is estimated close to the report's publication date, totaling NIS 1 billion, net of tax, mostly offset by a NIS 0.6 billion loss, net of tax, in the capital reserve for the available-for-sale bonds. The effect of profit and loss is immaterial.

It is noted that the decrease in the value of bonds was immediately charged to regulatory capital, while the positive effect of the pension liability for the interest rate increase is charged to regulatory capital over eight quarters.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES

Corporate Governance, Additional Details and Appendices

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Changes in the Board of Directors

As of the report publication date, the Board of Directors includes ten members, in accordance with the number of directors allowed in banking corporations pursuant to Proper Conduct of Banking Business Directive No. 301 (hereinafter - "**Directive 301**"). During the first quarter of 2022, there were no changes in the composition of the Board of Directors.

On January 26, 2022, Mr. Yitzhak Edelman, CPA, who serves an External Director in accordance with the Companies Law, 1999 in the Bank since February 2, 2017, announced he would not be submitting, to the Committee for Appointment of Directors in Banking Corporations - appointed in accordance with Section 36A of the Banking Law (Licensing), 1981 (hereinafter - the "**Committee for the Appointment of Directors**") - an application to extend his candidacy as director in the Bank for a third term. CPA Yitzhak Edelman will complete his entire remaining term in February 2023. For more information, please see the immediate report published by the Bank on January 27 2022 (Ref. No. 2022-01-011986).

On April 26 2022, the Bank received a notice from the Committee for the Appointment of Directors, which includes a list of candidates to serve as the Bank's directors for election at the Bank's 2022 annual general meeting. For more information, including the list of candidates, please see the immediate report published by the Bank on April 26 2022 (Ref. No. 2022-01-051295).

For more information about the directors' competencies as required by Directive 301, please see under "Members of the Board of Directors" in the Bank's 2021 Annual Financial Statements.

Internal Auditor

Details regarding the Group's internal auditing function, including the professional standards pursuant to which the Internal Audit Division operates, the annual and multi-year work plans and considerations taken into account in formulating the work plans were included in the 2021 Annual Financial Statements.

The 2021 Internal Audit Report of the Leumi Group was submitted to the Audit Committee on March 14 2022, discussed by the Committee on March 21 2022, submitted to the Board of Directors on March 30 2022 and discussed by the Board on April 6 2022.

Control of the Bank

As of March 24 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

For up-to-date information regarding interested parties' holdings in the Bank as at March 31 2022, please see the immediate report on the status of holdings of interested parties and senior officers dated April 7 2022 (Ref. No.: 2022-01-045268). Please see also the immediate report on the list of holders of significant means of control in the Bank as at March 31 2022, dated April 7 2022 (Ref. No. 2022-01-045337).

Appointments and Departures

Appointments

CPA **Uri Yonissi,** Head of the Customer Relations Division and member of the Bank's management and First Executive Vice President, was appointed Head of the Mortgage Division as of January 1, 2022.

Adv. **Mor Fingerer**, who served as member of the Bank's management and Chief Legal Counsel and Head of the Legal Counsel Division, First Executive Vice President, was also appointed secretary of the Bank and Group as of March 1 2022.

Departures

Adv. **Hadar Vismunski Weinberg**, Secretary of the Bank and Group, resigned from the Bank on February 28 2022.

Corporate Structure

Mortgage Division

On January 1, 2022, the division was set up, and was charged with all of Bank Leumi's mortgages and housing loans activity.

Resolution of a Labor Dispute

On August 1 2021, the Bank received a notice regarding a declared labor dispute, at the request of the Bank workers' union, by the New Federation of Workers - Histradrut Hamaof, under the Labor Dispute Settlement Law, 1957. After settling the matters set out in the notice, the Histradrut Hamaof announced, on February 24 2022, that the dispute had been concluded.

Hybrid work plan

On August 15 2021, the Bank instituted a hybrid work plan allowing employees to work remotely on day a week. On February 9 2022, a memorandum of understanding was signed between management and the Workers' Union, in which the parties reached agreements in principle for a permanent plan wherein employees will be allowed to telecommute one day a week, as of February 13 2022.

Material Agreements

For more information regarding material agreements of investee companies, please see Note 16 and the section entitled "Major Investee Companies" in the Report of the Board of Directors and Management.

For more information regarding additional material agreements, please see the section entitled "Material Agreements" in the 2021 Annual Financial Statements.

Laws and Regulations Governing the Banking System

Some of the information in this section constitutes forward-looking information. For the meaning of the term and implications of its significance, please see under “Forward-Looking Information”.

During the reporting period, several proposals for regulatory amendments and changes to various legal provisions were published, which could have an impact on the characteristics, scope and profitability of some of the Group's activities and on the credit, operating and legal risks to which it is exposed. Some of the directives are at various stages of discussion and, consequently, it is impossible to assess whether or not they will be issued as binding provisions and, if issued, what the ultimate provisions will be. As a result, at this stage, it is impossible to assess the effect of these provisions on the Group's overall activity, if any. The following section provides detailed information on newly enacted legislation, which came into effect during the reporting period and provisions expected to come into force which may have a significant effect on the Bank.

For a detailed description, please see the section entitled "Legislation and Regulation of the Banking System” in the Corporate Governance Report of 2021.

Directives Issued by the Banking Supervision Department

Amendment to Proper Conduct of Banking Business Directive No. 451 - Housing loans procedures

On January 31 2022, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive No. 451. Among other things, under the amendment, banking corporations will be obliged to provide customers with pre-approval for loans using a uniform format, which will include three uniform tracks prescribed by the Bank of Israel, with the loan term selected by the customer. Each of the tracks will feature: the expected overall interest rate, the total expected payments across the entire mortgage term, and the highest expected monthly payment. In addition and regardless of the uniform baskets, banks will be able to offer customers customized mortgage tracks.

In addition, according to the amendment, banks will provide customers with an online calculator allowing for simulations of various mixes with different loan terms. In addition, the directive regulates the manner in which banking corporations are required to present information in their apps.

A maximum time frame was provided for pre-approval of mortgages to customers; the directive allows customers to submit an application and be pre-approved online and by phone.

The directive will come into force on August 31 2022. The Bank may apply the directive in whole or in part prior to this date.

In addition, on May 2 2022, the Banking Supervision Department published a draft amendment to Proper Conduct of Banking Business Directive No. 449, Simplifying Agreements for Customers. The draft suggests adjustments to the directive, in line with the amendments made to Proper Conduct of Banking Business Directive No. 451.

The directives’ implementation will require an update of the work processes.

Directives pertaining to the attribution of capital for derivative financial instruments

Please see the section entitled “Capital and Capital Adequacy” in the Report of the Board of Directors and Management.

The Banking Supervision Department’s letter entitled Increase in Credit Risks for the Construction and Real Estate Industry

During October and December 2021, the Banking Supervision Department published a letter to banking corporations entitled Increase in Credit Risks for the Construction and Real Estate Industry; according to the letter, there was an increase in credit risks for the banking system in respect of the construction and real estate industry, which is expressed, inter alia, in the growing outstanding credit balances, risk characteristics and LTV in some banking corporations. Following on the above, in the letter published on March 20 2022, the Banking Supervision Department clarifies that due to the continued trend of growing credit risk in respect of the construction and real estate industry, it was decided to take additional regulatory measures with the aim of enhancing risk management, transparency and regulatory consistency, as well as risk monitoring capabilities for credit portfolios. The additional measures will include, inter alia: (1) The draft directive for allocation of additional capital in respect of highly-leveraged land - the banks will be required to increase the risk weighting of loans that have been granted and will be granted to purchase land for development or construction purposes with an LTV rate of more than 75 percent; (2) Banking Supervision Department’s audit teams for credit in respect of the construction and real estate industry will be required to demonstrate and illustrate the analysis process, in order to support management of underwriting proceedings and classification of credit in banks; (3) Reporting to the Banking Supervision Department on the construction and real estate industry will be expanded.

Concurrently, on March 20, 2022, draft Proper Conduct of Banking Business Directive No. 203, Measurement and Capital Adequacy - the standardized approach - Credit Risk was published; the directive proposes to determine, that the list of debts risk-weighted at 150 percent will also include loans intended to purchase land for development or construction purposes, at an LTV rate exceeding 75 percent, excluding loans to purchase agricultural land with no planning or rezoning prospects. As of the report's publication date, the revision is a draft and its entry into force has yet to be determined.

The Bank is considering the possible effect of the said publications on its activity.

Amendment of Proper Conduct of Banking Business Directives 301, Board of Directors, and 301A, "Compensation Policy at Banking Corporation"

Under the Amendment, which was published on April 10, 2022, the directives were amended and adjusted to legal requirements from the chairmen of boards of directors in banking corporations as a whole, and banking corporations without a controlling core in particular.

According to the amendment to Proper Conduct of Banking Business Directive No. 301A, the board must define the purview of the chairman of the board, such that it does not deviate from the roles and powers conferred upon the chairman of the board under law, so as to prevent the compromise of his/her independence; and in a banking corporation without a controlling core - to avoid giving rise to an affiliation between the chairman and the banking corporation. It was also determined that the Board of Directors may entrust the chairman of the board with any role that the board of directors is entitled to entrust any of its members to execute in connection with the board of directors' work. It was also determined that the board of directors may define the time the chairman of the board of directors may spend on executing his/her duties.

Proper Conduct of Banking Business Directive No. 301A now features a section outlining principles for determining the compensation for a chairman of the board in a banking corporation without a controlling core. It was determined that the compensation of the such a chairman shall be in accordance with the Compensation Regulations applicable to external directors, with certain adjustments outlined in the directive. It was determined, inter alia, that the annual compensation the chairman of the board will be entitled to shall not exceed the total average compensation of an expert director in a banking corporation, multiplied by the "applicable ratio", which is based both on the differences between the characteristics of the role of the chairman of the board and those of other directors - reflected in the amount of time the chairman of the board needs to dedicate to fulfilling his/her duties and the responsibility of the chairman of the board, which is higher than that of other directors. The compensation committee should ensure that the compensation terms of the chairman of the board do not give rise to an affiliation in accordance with the ordinance nor compromise the independence of the chairman of the board.

The effective date of the amendment is on its publication date; however, for a chairman of the board already in office upon the amendment's entry into force - the amendment shall apply upon updating any of his/her service terms or after 6 months will have elapsed from publication date, whichever the earlier.

The Bank is preparing to implement the directives.

Amendment of Proper Conduct of Banking Business Directive No. 368, "Application of the Open Banking Standard in Israel"

The directive was first published in February 2020. Open Banking requires the banks and credit card companies to share a customer's banking information at his/her request, with authorized third-party providers and to allow making payments to his/her account through third parties (authorized for this purpose). The objective is that based on the said banking information, third-party suppliers will be able to offer customers new products, customized to their needs. According to the directive, the adoption of the Open Banking will encourage new players in the payments, information, marketing and intermediation domains to enter the market, offering customers better pricing and innovative products.

Since its publication, the directive was amended several times. During the reporting period, amendments to the directive was published, focusing on adjustment of the directive to arrangements provided for under the Financial Information Service Law, 2021.

The Bank is preparing to implement the directive gradually, in accordance with the effective dates therein.

Regulatory Developments Following the Coronavirus

The Insolvency and Economic Rehabilitation Law (Amendment No. 4 - Temporary Order) (Novel Coronavirus) (Stay of Proceedings for Formulation and Approval of Debt Settlement), 2021

The Law prescribes a dedicated track for handling debts of debtors (corporations and private individuals) hurt by the coronavirus crisis, which will allow debtors to reach debt settlement agreements as an alternative to full insolvency proceedings. The temporary settlement allows to stay legal proceedings and collections proceedings against a debtor. During the stay period, the debtor will retain control of his/her assets. At the same time, the proposed arrangement includes respective alternative protections to lenders.

On March 14 2022, the Insolvency and Economic Rehabilitation Ordinance (Extension of the Period Pertinent to Filing a Stay of Proceedings to Formulate a Debt Settlement Agreement - the Novel Coronavirus), 2022 was published; the ordinance extends the said special provisions until September 17 2022.

Bill for Execution Law (Amendment No. 70 and Temporary Order) (Novel Coronavirus), 2022

The bill seeks to extend, by an additional period, the temporary order provided under the Execution Law (Novel Coronavirus - Amendment No. 68 and Temporary Order), 2020 (hereinafter - the "Temporary Order"). The Temporary Order, which was enacted following the onset of the coronavirus, set various arrangements aimed at incentivizing debt repayment and recovery of economic activity, as well as helping people in financial straits to avoid deteriorating into a severe and enduring financial crisis. In this context, arrangements were established regarding authorizing court registrars to consolidate claims; extension of warning periods for executing judgments or filing objections to promissory notes and claims for a set amount; establishing a special payments arrangement; as well as establishing specific provisions regarding fees and attorney's fees for execution motions. Since most of these provisions expire on March 24 2022, it is proposed by extend the Temporary Order by additional periods.

Amendment to Proper Conduct of Banking Business Directive No. 250 - Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis

On May 15 2022, the Banking Supervision Department published an amendment to a directive, in which the Banking Supervision Department clarifies that, due to the continuation of the impacts of the coronavirus crisis on the assets of banking corporations - including support for the credit needs of the recovering economy and a high level of deposits with the Bank of Israel, a need arose to extend the expedient regarding leverage ratios.

Accordingly, it was determined that the expedient will be in effect until June 30, 2024, with the leverage ratio not falling below the lower of the rate as at December 31 2023 or the leverage ratio applicable to the banking corporation prior to the temporary order; applying the expedient shall not serve as a barrier to dividend distribution, subject to capital planning that addresses returning to the required leverage ratio.

For additional information regarding the various regulation adjustments on the back of the coronavirus event and their effects, please see the section entitled Legislation and Regulation Governing the Banking System in the Corporate Governance Report for 2021.

Additional Topics

Equal Pay Law, 1996 (Amendment 6, 2020)

Until June 1 2022, various employers, including reporting entities, were required to prepare reports for 2021, to be uploaded on the entity's website, on salary differences between male and employees under amendment 6 to the Equal pay Law, 1996.

Credit Rating

Following are the credit ratings of Israel and the Bank as at May 23 2022:

	Rating agency	Long term	Outlook	Short term
State of Israel	Moody's	A1	Positive	P-1
	S&P	AA-	stable	A-1+
	Fitch	A+	stable	F1+
Bank Leumi: Foreign exchange	Moody's	A2	stable	P-1
	S&P	A	stable	A-1
	Fitch	A	stable	F1+
Local rating (in Israel)	S&P Maalot	AAA	stable	A-1+
	Midroog	Aaa	stable	P-1

Following is the development of the Bank's credit rating and credit outlook from January 1 2022 to May 23 2022:

On January 12 2022, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On January 20 2022, credit rating agency S&P reiterated the Bank's rating and rating outlook.

On January 23 2022, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

On March 9 2022, S&P Maalot rated the Bank A-1+ short-term.

Appendix 1 - Income and Expenditure Rates[(a)] and Analysis of Changes in Interest Income and Expenses

Part A - Average Balances and Interest Rates – Assets

	For the three months ended March 31					
	2022			2021		
	Average balance[(b)]	Interest income	% of income	Average balance[(b)]	Interest income	% of income[(j)]
	In NIS million		In %	In NIS million		In %
Interest-bearing assets						
Loans to the public[(c)]						
In Israel	324,043	2,788	3.44	273,398	2,132	3.12
Outside Israel	23,797	235	3.95	22,252	216	3.88
Total[(i)]	347,840	3,023	3.48	295,650	2,348	3.18
Loans to the government						
In Israel	1,042	9	3.45	694	4	2.31
Outside Israel	-	-	-	-	-	-
Total	1,042	9	3.45	694	4	2.31
Deposits with banks						
In Israel	16,708	15	0.36	10,912	17	0.62
Outside Israel	235	-	-	119	-	-
Total	16,943	15	0.35	11,031	17	0.62
Deposits with central banks						
In Israel	137,637	33	0.10	101,877	26	0.10
Outside Israel	2,771	2	0.29	976	-	-
Total	140,408	35	0.10	102,853	26	0.10
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	3,197	1	0.13	3,226	1	0.12
Outside Israel	-	-	-	-	-	-
Total	3,197	1	0.13	3,226	1	0.12
Bonds - held-to-maturity and available-for-sale[(d)]						
In Israel	73,860	239	1.29	74,284	184	0.99
Outside Israel	5,142	27	2.10	4,503	28	2.49
Total	79,002	266	1.35	78,787	212	1.08
Held-for-trading bonds[(d)]						
In Israel	2,280	12	2.11	2,951	4	0.54
Outside Israel	-	-	-	-	-	-
Total	2,280	12	2.11	2,951	4	0.54
Total interest-bearing assets	590,712	3,361	2.28	495,192	2,612	2.11
Non-interest-bearing receivables for credit cards	5,688			5,089		
Other non-interest-bearing assets[(e)]	58,488			52,387		
Total assets	654,888	3,361		552,668	2,612	
Total interest-bearing assets attributed to foreign operations	31,945	264	3.31	27,850	244	3.50

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Equity

	For the three months ended March 31					
	2022			2021		
	Average balance[(b)]	Interest expense	% of expense	Average balance[(b)]	Interest expense	% of expense[(j)]
	In NIS million		In %	In NIS million		In %
Interest bearing liabilities						
Deposits by the public						
In Israel	340,930	256	0.30	304,889	163	0.21
Demand deposits	201,237	6	0.01	173,434	4	0.01
Fixed deposits	139,693	250	0.72	131,455	159	0.48
Outside Israel	10,904	8	0.29	13,714	12	0.35
Demand deposits	7,365	2	0.11	9,402	3	0.13
Fixed deposits	3,539	6	0.68	4,312	9	0.83
Total	351,834	264	0.30	318,603	175	0.22
Deposits by the Israeli Government						
In Israel	323	-	-	204	1	1.96
Outside Israel	1	-	-	15	-	-
Total	324	-	-	219	1	1.83
Deposits by central banks						
In Israel	17,054	3	0.07	9,912	2	0.08
Outside Israel	-	-	-	-	-	-
Total	17,054	3	0.07	9,912	2	0.08
Deposits by banks						
In Israel	6,504	2	0.12	5,836	1	0.07
Outside Israel	53	-	-	141	-	-
Total	6,557	2	0.12	5,977	1	0.07
Net change in securities loaned or sold under reverse repurchase agreements						
In Israel	2,261	2	0.35	479	-	-
Outside Israel	236	-	-	252	-	-
Total	2,497	2	0.32	731	-	-
Bonds						
In Israel	17,750	191	4.30	14,578	85	2.33
Outside Israel	-	-	-	-	-	-
Total	17,750	191	4.30	14,578	85	2.33
Total interest-bearing liabilities	396,016	462	0.47	350,020	264	0.30
Non-interest-bearing deposits by the public	181,801			128,996		
Non-interest-bearing payables for credit cards	1,779			1,692		
Other non-interest-bearing liabilities[(f)]	34,182			33,792		
Total liabilities	613,778	462		514,500	264	
Total capital resources	41,110			38,168		
Total capital commitments and resources	654,888	462		552,668	264	
Interest rate spread		2,899	1.81		2,348	1.81
Net return[(g)] on interest-bearing assets						
In Israel	558,767	2,643	1.89	467,342	2,116	1.81
Outside Israel	31,945	256	3.21	27,850	232	3.33
Total	590,712	2,899	1.96	495,192	2,348	1.90
Total interest-bearing liabilities attributed to foreign operations	11,194	8	0.29	14,122	12	0.34

Please see comments below.

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Activities in Israel

	For the three months ended March 31					
	2022			2021		
	Average balance[(b)]	Interest income (expenses)	% of income (expense)	Average balance[(b)]	Interest income (expenses)	% of income (expense)[(j)]
	In NIS million		In %	In NIS million		In %
CPI-linked NIS						
Total interest-bearing assets	53,921	971	7.20	48,596	445	3.66
Total interest-bearing liabilities	21,174	(287)	(5.42)	19,057	(94)	(1.97)
Interest rate spread			1.78			1.69
Unlinked NIS						
Total interest-bearing assets	415,264	1,843	1.78	341,405	1,651	1.93
Total interest-bearing liabilities	296,502	(90)	(0.12)	258,298	(93)	(0.14)
Interest rate spread			1.66			1.79
Foreign currency						
Total interest-bearing assets	89,582	283	1.26	77,341	272	1.41
Total interest-bearing liabilities	67,146	(77)	(0.46)	58,543	(65)	(0.44)
Interest rate spread			0.80			0.97
Total activity in Israel						
Total interest-bearing assets	558,767	3,097	2.22	467,342	2,368	2.03
Total interest-bearing liabilities	384,822	(454)	(0.47)	335,898	(252)	(0.30)
Interest rate spread			1.75			1.73

Please see comments below.

Part D - Analysis of Changes in Interest Income and Interest Expenses

	2022 vs. 2021		
	For the three months ended March 31		
	Increase (decrease) due to change[h]		Net change
	Quantity	Price	
	In NIS million		
Interest-bearing assets			
Loans to the public			
In Israel	436	220	656
Outside Israel	15	4	19
Total	451	224	675
Other interest-bearing assets			
In Israel	54	19	73
Outside Israel	9	(8)	1
Total	63	11	74
Total interest income	514	235	749
Interest-bearing liabilities			
Deposits by the public			
In Israel	27	66	93
Outside Israel	(2)	(2)	(4)
Total	25	64	89
Other interest-bearing liabilities			
In Israel	58	51	109
Outside Israel	-	-	-
Total	58	51	109
Total interest expenses	83	115	198

Comments:

(a) The data in the above tables are stated after the effect of derivatives instruments hedging.

(b) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated according to daily inputs, and before deducting the average on-balance sheet loan loss provisions; foreign subsidiaries - based on quarterly opening balances.

(c) Before deducting the average balance of loan loss provisions. Including non-accrual debts.

(d) The average balance of unrealized gains (losses) from fair value adjustments of held-for-trading bonds was added to (deducted from) the average balance of held-for-trading bonds and available-for-sale bonds, as were gains (losses) in respect of available-for-sale bonds included in shareholder's equity under accumulated other comprehensive income, in the "Adjustments in respect of presentation of available-for-sale securities at fair value" line item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS 622 million (March 31 2021 – NIS 1,859 million).

(e) Including book balances of derivatives, other non-interest-bearing assets, non-monetary assets, and less loan loss provision.

(f) Including book balances of derivative instruments and non-monetary liabilities.

(g) Net yield – net interest income divided by total interest-bearing assets.

(h) The change attributed to the quantity change was calculated by multiplying the new price by the change in quantity. The change attributed to the change in price was calculated by multiplying the former quantity by the new price.

(i) Fees and commissions for the three-month period ended on March 31 2022 totaling NIS 133 million were included in the interest income from loans to the public (fees and commissions for the three-month ended on March 31 2021, totaling NIS 146 million).

(j) As of January 1 2022, the Bank is applying the revised disclosure requirements of the Banking Supervision Department regarding presenting income and expense rates; under the revision, the presentation method of income and expense rates calculated on a quarterly basis was revised to annualized terms, as is the method in US banks. Accordingly, the Bank translated the quarterly ratio to annualized terms and multiplied it by four, in lieu of exponentiation according to the previous presentation method. According to the circular's provisions, the Bank restated the comparative results of income and expense rates relating to the previous quarterly period presented in this report consistently with the new presentation method. The effect of changing the presentation method is immaterial.

Glossary of Terms

Term	Definition
A	
Actuarial Calculation	Any calculation that reflects uncertainties, i.e., is risk-adjusted. For example, an Actuarial Calculation reflects past experience and management's estimates as to the expected retirement dates of a bank's employees and the expected retirement benefits which are allocated on a linear basis over the expected service period.
Active Market	A market in which transactions in an asset or liability exist at a sufficient frequency and volume to provide information about pricing on an ongoing basis.
Actuarial Gain/Loss	Mostly reflects adjustments in respect of actuarial estimates, as at the end of the year, of defined benefit pension plans and a deduction of amounts previously recorded in other comprehensive income.
Asset and Liability Management (ALM)	Management of the Bank's assets and liabilities with the aim of avoiding a mismatch between the two and, in the long-term, increasing the Bank's capital for the benefit of its shareholders.
Asset-Backed Securities (ABSs)	A security whose interest and principal payments are collateralized or pledged by a specific financial asset.
Auxiliary Corporation	A corporation which is not in itself a bank and whose activities are limited to the fields of activity permitted to the bank controlling it, except activities reserved exclusively for corporations defined as banks under law.
Average Duration (AD)	Average duration is measured in years and weights the periodic interest payments of the financial instrument over its life until final redemption.
B	
Balanced Score Card (BSC)	A performance metric used for measuring the performance of the Bank and its business lines on a number of quantitative and qualitative issues defined by Bank's management in its strategic plan.
Basel II/Basel III	Banks' risk management directives set by the Basel Committee on Banking Supervision (BCBS), which is the primary supervision and global standard setter for prudential regulation and supervision of banks. The BCBS's directives serve as the benchmark for leading standards designed to ensure the stability of financial institutions.
Basic Earnings per Share	Basic earnings per share will be calculated by dividing the profit or loss attributed to holders of the parent company's ordinary shares (the numerator) by the weighted average number of ordinary shares outstanding during the period (the denominator).
Basis Point (BP)	1/100th of 1 percent; BP is used as a common unit of measure for interest rates.

Basis Risks	Basis Risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases.
Benchmark Interest Rate	Interest determined on an external objective basis according to a pre-set formula, i.e., the bank plays no direct role in setting it.
Bid-Ask Spread	The difference between the offered purchase price and selling price. This is, in fact, the difference between the highest price a buyer is willing to pay for an asset and the lowest price in which a seller is willing to sell it.
Build Operate Transfer (BOT)	A model used to finance public projects whereby a public entity grants a concession to a private company to finance, plan, build and operate a public facility for a fixed period of time, at the end of which control of the facility is transferred to the government.
C	
Capital Adequacy Ratio	The ratio between the Bank’s qualifying Regulatory Capital and its risk-weighted assets (the Bank’s assets weighted to reflect credit, market and operational risks), calculated in accordance with the Bank of Israel’s directives and to reflect the risk associated with exposures undertaken by the Bank during the course of its activities.
Collateralized Debt Obligation (CDO)	A bond backed by a portfolio of bonds and/or loans of various seniority levels and ratings.
Collateralized Loan Obligation (CLO)	A bond backed by a loans portfolio.
Collective Provision	A Collective Provision for Loan losses is applied to large groups of relatively small and homogeneous debts and to debts that were reviewed specifically and were found to be non-performing. The Collective Provision in respect of the off-balance sheet instruments is based on provision rates that were set for on-balance sheet loans, while taking into account the Bank's estimates regarding the probability of utilizing the various off-balance-sheet items.
Common Equity Tier 1 Capital	Going Concern Capital Common Equity Tier 1 (CET1) Capital includes the equity attributed to a bank’s shareholders, with the addition of some of the non-controlling interests (minority interests) of consolidated subsidiaries less goodwill, other intangible assets and regulatory adjustments and additional deductions, pursuant to Proper Conduct of Banking Business Directive No. 202, "Measurement and Capital Adequacy – Regulatory Capital" and pursuant to the transitional provisions of Proper Conduct of Banking Business Directive No. 299, "Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions".

Conduct Risk	Conduct Risk is the risk that any dealings with Bank's customers which are not fair, transparent and aimed to meet their needs will lead to losses due to legal damages, fines or reputational damage.
Committee of Sponsoring Organizations of the Treadway Commission (COSO)	A structured internal controls model. The model is intended to assist businesses and other entities to assess, estimate and enhance their internal control functions.
Cost of Interest	The interest component allocated to a current year and classified into payroll expenses.
Cost of Service	All components of employee benefits costs allocated to a specific period.
Credit Default Swap (CDS)	A financial instrument that transfers the credit exposure between parties to a transaction to the issuing entity.
Credit Derivative	A contract that transfers the credit risk from a buyer to a seller. There are various forms of Credit Derivatives: Credit Default Swap (CDS), a note for partial cover of credit risk, Total Return Swap (TRS), etc..
Credit Valuation Adjustment (CVA)	The calculation of credit risk in derivatives reflects the expected loss to the bank in case the counterparty to the transaction will default.
Credit Risk	Credit risk is the Bank's risk of loss as a result of the possibility that a borrower or counterparty fails to meet its agreed commitments towards the bank.
Cross Border Activity	A term referring to various cross-border financing arrangements, such as cross border loans, letters of credit or bankers' acceptances.
Current Expected Credit Losses (CECL)	A model of provisioning for Current Expected Credit Losses.
Cyber Event	An event during which the Bank's IT and/or computer-embedded systems and infrastructures are attacked by, or on behalf of, opponents (whether external or internal to the bank) and such attack may result in the materialization of the cyber risk, including an attempted attack even if it did not result in actual damage.
D	
Defined Benefit Plan	Fixed and predetermined pension or insurance amounts which are paid to eligible employees, whether or not they depend on the investment results of the pension fund or insurer.

Delinquent Debt	The delinquency (arrears) status of a debt is determined according to its contractual repayment terms. The debt is in arrears if some or all of the debt amount has not been repaid within 30 days of its due date. For this purpose, a debt in a current account in excess of the authorized credit facility will be regarded as being in arrears if not repaid within 30 days, or if that account is not credited with sums sufficient to cover the debt under the credit facility within the period determined by the Bank's management.
Diluted Earnings Per Share	Dividing the profit or loss attributed to holders of the parent company by the weighted average number of ordinary shares outstanding, to assume conversion of all potentially dilutive ordinary shares.
Dodd Frank Wall Street Reform and Consumer Protection Act (DFA)	The DFA is a U.S. federal law which came into force on July 28 2019. The DFA sets in motion a comprehensive financial reform which has various implications for the Leumi Group, the principal of which is associated with transactions involving over-the-counter derivative swaps.
E	
Embedded Derivatives	Embedded Derivatives are derivative instruments which are embedded into other financial contracts and instruments or into commercial contracts for the purchase or sale of products and services (these contracts are known as host contracts). The accounting treatment is applied according to the economic substance of the items and transactions, rather than according to their legal form; therefore, embedded derivatives whose economic characteristics are not clearly and closely related to those of the host contract are bifurcated therefrom for the purpose of measurement in the Bank's books of accounts.
European Market Infrastructure Regulation (EMIR)	A regulation of the European Union which is intended to enhance the stability of over-the-counter markets in all EU countries.
Exposure at Default (EAD)	The expected amount of counterparty exposure in case of credit default.
F	
Fair Value	The amount for which an asset can be exchanged or a liability assumed in a transaction between knowledgeable, willing parties. This value is determined according to the fair value hierarchy set in accounting standards: • Level 1 – Value based on quoted market prices; • Level 2 – Estimated value based on observable inputs; • Level 3 – Estimated value determined by using valuation techniques that include unobservable inputs.

Fannie Mae (FNMA)	A U.S. government-sponsored enterprise which purchases and securitizes mortgages and sells them on the free market. (The company is not backed by the U.S. government).
Federal Deposit Insurance Corporation (FDIC)	An independent federal agency insuring deposits in U.S. banks; FDIC is one of the U.S.'s banking supervisory bodies.
Foreign Accounts Tax Compliance Act (FATCA)	A U.S. tax law intended to improve tax enforcement. Pursuant to FATCA, non-U.S. financial entities must disclose to the U.S. Internal Revenue Service information about accounts held by them for anyone who is required to report under FATCA, even if he/she is not a U.S. resident.
Forwards	Forwards are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Forwards are not standard contracts and are not traded on capital markets, but are drawn up specifically according to the parties' needs.
Freddie Mac (FHLMC)	FHLMC is a U.S. government-sponsored agency that purchases and securitizes mortgages and sells them to the public. (The company is not backed by the U.S. government).
Futures	Futures are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Futures are standard contracts traded on capital markets.
G	
Ginnie Mae (GNMA)	A federal mortgage company. The bonds issued by GNMA are backed by the Government National Mortgage Association.
I	
Indebtedness	The Bank's loan exposures to a borrower or group of borrowers, including loans under the bank's responsibility, the bank's investments in the borrower's securities, commitments of the bank to pay money on a customer's behalf (including guarantees and Documentary Credit) and transactions in over the counter (OTC) derivatives. Indebtedness is calculated according to the provisions of Proper Conduct of Banking Business Directive No. 313 of the Banking Supervision Department.
Interest Rate Risk	The risk of loss or impairment as a result of changes in interest rates across various currencies.

Internal Capital Adequacy Assessment Process (ICAAP)	The capital adequacy assessment process is aimed at calculating the capital required to support the various risks to which the Group is exposed in order to ensure that the Group's effective capital exceeds the capital requirements at any time.
Internal Rate of Return (IRR)	A measure used to estimate the profitability of potential investments. This metric is an indicator of the efficiency and quality of a specific investment in relation to the net present value, which is an indicator of the value and size of the investment. The Internal Rate of Return is the interest rate that discounts the expected cash flow from a financial instrument to its balance in the Bank's balance sheet.
L	
Leverage Ratio	Defined as the measured capital (the numerator) divided by the measured exposure (the denominator), with the ratio expressed as a percentage.
Linkage Base and Exchange Rate Exposure	The exposure to the basis risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases. The exposure to basis risks is measured as a percentage of the Group's exposed capital. At the Bank level, the exposed capital includes common equity and certain provisions, net of property, plant and equipment and investments in investees.
Liquidity Coverage Ratio	Liquidity Coverage Ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a bank has an inventory of high-quality liquid assets that is able to cover the corporation's liquidity requirements in this time horizon.
Liquidity Risk	Liquidity Risk is the risk arising from uncertainty regarding the possibility of raising resources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss.
Loan-to-Value (LTV) Ratio	The ratio of a bank loan to the value of a purchased asset. LTV reflects one aspect of the loan risk; a higher LTV reflects a higher risk to the lending bank.
Loss Given Default (LGD)	This is the percentage out of a borrower's total Exposure at Default (EAD), which the Bank is expected to lose on default.
M	
Market Risks	Market Risk is defined as the risk of loss in balance sheet and off-balance sheet positions as a result of a change in the fair value of a financial instrument due to change in market conditions (i.e., changes in: price levels in various markets; interest rate volatility; foreign exchange rates; inflation rates; share and commodity prices, as well as in other economic measures).

Mortgage-Backed Securities (MBS)	Bonds which are backed by financial assets, the principal and interest payments of which are based on a cash flow from repayment of loans collateralized by financial assets. The collateral assets may be pools of loans, including housing mortgages or other financial assets.
N	Impaired non-accruing loans.
Net Interest Margin (NIM)	Ratio between net interest income and the average balance of interest-bearing assets.
Net Stable Funding Ratio (NSFR)	The purpose of Net Stable Funding Ratio is to improve the stability of banking corporations' long-term liquidity risk profile by requiring them to maintain a stable funding profile according to the composition of their assets and off-balance-sheet activities. The ratio restricts the banking corporations' over-dependence of short-term wholesale funding. Measurement – whether on the consolidated or separate financial statements – is conducted quarterly and the requirement is to meet a ratio of 100 percent.
Non-Performing Credit	On- balance sheet credit that is assessed on a case by case basis and which - based on present circumstances and information - it is probable that the Bank will be unable to collect the full amounts payable (principal plus interest) under the contractual terms of the debt agreement. A debt which is assessed on a case by case basis shall be classified as non-performing whenever the principal or interest has been past due for a period of 90 consecutive days or more, unless it is both well secured and in the process of collection. Off-balance sheet credit is classified as non-performing if it is at least reasonably possible that the contingent liability in respect of the off-balance sheet item will materialize, and if the debts that may result from the materialization of the contingent liability should be classified into this category. Furthermore, a non-performing debt which is assessed on a specific basis and whose terms were changed due to restructuring of a troubled debt will also be considered as non-performing loans.
Non-Performing Loan (NPL)	Non-accrual impaired debt.
O	
OECD	An international organization whose members are developed countries that accept the principles of liberal democracy and free market. The organization is a platform for discussing policy, benchmarking, identifying solutions to difficulties and drawing up codes, guiding principles and shared standards for the implementation of domestic economic and social policies. Each member state can make a significant contribution to the organization’s policy and development of shared policies.

Off-Balance Sheet Exposures	These exposures arise from the Bank's undertakings to its borrowers that have not yet been realized/utilized by the borrowers as of the reporting date and therefore have not yet been recorded as a balance sheet asset or liability. Such exposures include, among other things: Unutilized undertakings to extend loans; • Unutilized credit facilities; • Undertakings pursuant to guarantee agreements; • Undertakings pursuant to an approval in principle where the Bank is committed to maintain the interest rate over a certain period, • and more.
On-call Credit	Loan granted for several days and repaid on call, in accordance with the conditions of the agreement between the Bank and the customer.
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. This definition includes legal risk, but does not include strategic risk and reputational risk.
Option Contract/Option	There are two types of Option Contracts: an option to buy (call option) or an option to sell (put option). A call option is the right to buy a specified asset at an agreed price (strike price) up to (American-style option) or on (European-style option) a stipulated date. A put option is the right to sell a specified asset at an agreed price (strike price) up to (American-style option) or at (European-style option) a stipulated date.
P	
Performance Stock Units (PSU)	Performance Stock Unit awards are restricted shares and depend on the bank's future performance.
Pillar 1	The allocation of minimum capital against credit, market and operational risks, using a method that correlates the scope of exposure to the various risks and Regulatory Capital requirement. The Pillar 1 Directives set by BCBS were adopted as part of Proper Conduct of Banking Business Directives No. 201 to No. 209; these directives set a supervisory method for calculation of risk-weighted assets and calculation of the capital requirements in respect of such risk-weighted assets.

Private Individuals	Persons who are not corporations (whether registered or non-registered) and who are not engaged in business activity. According to the directives of the Bank of Israel, private persons are defined such that this category includes non-business loans to individuals who are classified into the private individuals' sector according to uniform definitions of the Central Bureau of Statistics including households and private banking.
Probability of Default (PD)	A financial term describing the likelihood of borrower default within a given period of time from the date on which rating is issued. It provides an estimate of the likelihood that a borrower will be unable to meet its contractual debt obligations.
R	
Regulatory Capital	Capital used to calculate the Bank's capital adequacy ratio and other regulatory ratios (such as: leverage ratio, credit concentration and more). Accounting capital components and other qualifying Regulatory Capital instruments (such as subordinated notes that qualify as Regulatory Capital).
Repurchase Agreement or Reverse Repurchase Agreement	These repo agreements are agreements for the purchase or sale of securities in consideration for cash or securities; when entering into these agreements, the seller and the buyer agree to enter into a reverse transaction at a predetermined date and price.
Reputational Risk	The risk that the publication or public disclosure of a customer-related transaction or practice, as well as the Group's business results and events relating thereto will have an adverse effect on the public's trust in the Group or reduce its customer base or that the Group will incur high legal costs or that its revenues will decline.
Residual Risk	Residual Risk is the risk of loss remaining after all other specific risks have been factored in. For example: when a person purchases an asset, he is exposed to various risks. Many of these risks are not unique to the purchased asset, but rather reflect broader scenarios, such as increase or decrease in share prices, increase or decrease in interest rates or change in growth rate of a specific economy or industry. The exposure to this risk can be reduced by diversification.
Restricted Share Units (RSUs)	An ordinary share whose issuance terms restrict its tradability over a certain period or until the occurrence of a certain event where the period has not yet elapsed and/or the event has not yet occurred.
Restructuring of Troubled Debt	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.

Return on Equity	Net income less dividend for preferred shares which was not recorded as an expense in profit or loss and was declared in the reported period only, divided by the average common equity.
Rate of Return on Equity (ROE)	The ratio between a business's return (net income) and its common equity. This rate measures the Bank's ability to generate profit from its net assets and illustrates how efficiently the Bank operates to utilize further investments in order to increase its revenues. Return on Equity in banks is reflected in the following ratios: • Net income attributed to bank's shareholders net of dividend distributed in respect of preferred shares which was not recorded as an expense in profit or loss and was declared during the reporting period, divided by the average common equity; Net income attributed to bank's shareholders net of dividend distributed to preferred shares which was not recorded as an expense in the income statement and was declared during the reporting period, divided by the average common equity net of average balance of preferred shares that were included in common equity.
Return on Risk-Adjusted Capital (RORAC)	A Rate of Return measure used to compare returns on various investments taking into account the risk. Actual return is adjusted by measuring the asset's exposure to risk and curtails the return on higher-risk assets. The method's effectiveness depends on the accuracy of the risk associated with different assets and on the extent to which the "sanction" imposed on higher-risk assets does, indeed, reflect each investor's risk aversion. Risk assessment of new types of assets, such as financial derivatives, involves high levels of uncertainty due to the actual behavior of their prices.
Risk-Weighted Assets (RWA) or Risk Assets	Risk-Weighted Assets reflect balance sheet and off-balance sheet exposures arising from the Bank's activities and weighted by their level of credit, market and operational risk according to Proper Conduct of Banking Business Directives No. 203 to No. 209. Such Risk Assets are designed to reflect the weighted risk in respect of which the Bank is required to comply with the Regulatory Capital Requirement as part of the Capital Adequacy requirements.
S	
Securitization	A process whereby bank loans and credit are pooled to create a long-term loan through bonds.

Securitization Structures	Structures created in order to transfer cash flows from other instruments or assets to bondholders, for which a Special-Purpose Entity (SPE) is set up that pools the underlying cash flow-generating assets that are transferred by the originator and forwards the cash-flows to the bondholders according to a structure agreed upon with the bondholders in accordance with the seniority of the different series of bonds (tranches). Such assignment of rights creates a legal structure in which the assets of the transferring entity will not be accessible to creditors of the SPE and the creditors will not be exposed to the risks associated with other activities of the transferring entity. The sole function of the SPE is to receive the said cash flows and transfer them to the bondholders.
Small Business Administration (SBA)	A U.S. government agency that supports small businesses in the U.S.A.
Special Mention Loan	Loan under Special Supervision is credit for which there are potential weaknesses which should be monitored closely by the Bank's management. Off-balance sheet loan is classified as loan under special supervision if the materialization of the contingent liability in respect of the item 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.
Standby Letter of Credit (SBLC)	A Standby Letter of Credit is a bank guarantee in the format of a commercial letter of credit, whose main goal is to secure a payment. A Standby Letter of Credit is similar to a guarantee in the sense that it constitutes an undertaking by the Bank to pay the amount specified therein against a payment demand by the beneficiary, whereas in the case of a commercial letter of credit one is required to present various documents in order to secure the payment by the Bank in respect of the guarantee.
Specific Provision	A provision that is determined specifically for each debt, except housing loans (including any restructuring of troubled debt subject to specific assessment according to the Bank’s policy). The provision amount is estimated according to the projected cash flows which are discounted at the debt’s original effective interest rate or, when the debt is defined as a debt whose collection is contingent on collateral or when an asset is expected to be seized - according to the fair value of the collateral net of disposal costs and after appropriate cushions are utilized. In order to determine the appropriate provision, the Bank assesses the relevant borrowers on an ongoing basis and according to procedure.

Strategic Risk	A business risk that includes current and future adverse effects on capital, profits, reputation or standing as a result of erroneous business decisions, inappropriate implementation of the decisions or lack of response to industry-specific, economic, regulatory and technological changes.
Subordinated Notes	Bonds the interests in which are subordinate to the claims of all other creditors of the bank, excluding other bonds of the same type.
Substandard Loan	A loan which is insufficiently guaranteed by the current sound worth and repayment capacity of a borrower or a pledged collateral, if any. Balance sheet credit risk that has been classified in this manner should have a well-defined weakness or weaknesses, which jeopardize the repayment of the debt. Loan, in respect of which a collective loan loss provision is recorded, shall be classified as a Substandard Loan when it has been past due for 90 days or more.
Supervisory Review Process (SREP)	The processes intended to ensure that banks have adequate capital to support all the risks associated with their business and also to encourage banks to develop and use better risk management techniques in monitoring and managing their risks. As part of the process, the Banking Supervision Department assesses a bank's risk profile and its internal process for assessing the adequacy of the regulatory capital it maintains against the exposures. This process is designed to provide regulators with tools for independent assessment of the Bank's risk profile and risk management and to enable early intervention in order to prevent compromising the Bank's financial stability.
Swap	A series of forward contracts or a series of futures contracts for several stipulated periods in which two parties agree to exchange cash flows on a notional amount.
Syndication	A transaction in which several lenders share extending a loan to a single borrower, but each borrower extends a loan at a certain amount to a borrower and has the right to be repaid by that borrower. Often, groups of lenders finance such loans together, with the amount extended greater than any single lender is willing to lend.
Synthetic Collateralized Debt Obligation (SCDO)	An agreement backed by a portfolio of (derivative) collateralized debt securities of various seniority levels.
T	
The Economic Capital Model	The Bank uses the Economic Capital Model, which is based on the borrowers' rating, in order to assess the overall credit risk of the entire loan portfolio and portions thereof.

Tier 2 Capital	A tier of capital included in the calculation of qualifying regulatory capital. Tier 2 capital (also known as "gone concern capital") is a substandard component of the Bank's capital; it mainly comprises qualifying instruments previously issued by the Bank and included in Tier 2 capital pursuant to the transitional provisions for the implementation of Basel III Directives as well as the new qualifying capital instruments that constitute the Bank's Contingent Convertible (CoCo) capital instruments issued by the Bank and which will be converted into the Bank's shares if the Bank reaches the point of non-viability. In addition, this Tier 2 capital also includes items, such as: a collective loan loss provision before the relating tax effect up to a ceiling of 1.25 percent of total credit risk assets
Total Indebtedness	A customers' total debts to the bank.
Treasury Shares	Shares directly held by the company. These shares do not have equity or voting rights.
V	
Value at Risk (VaR)	A model for measuring the maximum potential loss as a result of market risks materialization in a set time period and given a predetermined statistical probability. This method requires the revaluation of all of the corporation's positions based on the fair value of the assets and liabilities. The model's objectives are to estimate the risks to which financial institutions are exposed, stemming from materialization of market risks in various activities.