BANK LEUMI LE-ISRAEL B.M.

AND ITS INVESTEE COMPANIES

Condensed Financial Statements

As at June 30, 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, except as outlined in Note 1 to the financial statements. The statements herein should be read in conjunction with the 2021 Annual Financial Statements.

Condensed Financial Information and Key Performance Indicators

On September 23, 2021, Bank Leumi Corporation (hereinafter - "BLC"), a US-based corporation (85 percent of which was held by the Bank), entered into a merger agreement with Valley National Bancorp (hereinafter - "Valley"). On April 1, 2022, the merger transaction was completed and from that date, the Bank ceased the consolidation of the Bank Leumi USA results in its consolidated financial statements. On April 1, 2022, the Bank recorded an investment in Valley, which will be accounted for according to the equity method. Therefore, in the analysis of this Report of the Board of Directors and Management, the results of the second quarter of 2022 do not include the results of Bank Leumi USA, while the comparative results and the results of the first quarter of 2022 do include its results under various items, unless expressly stated otherwise. As aforesaid, starting from the second quarter of 2022, the Bank records equity profits in respect of the investment in Valley.

For additional information, please see 16.A.

Following are the key performance indicators (in %)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
Return on net income attributable to the Bank's shareholders to equity(c)(d)	**18.5**	16.8	**17.1**	15.5	15.0
Return on net income attributable to the Bank's shareholders to average assets(c)(f)	**1.2**	1.2	**1.1**	1.1	1.0
Ratio of income(b) to average assets(c)(d)(f)	**2.88**	2.98	**2.62**	2.83	2.70
Efficiency ratio	**35.0**	43.1	**40.3**	46.1	46.8
Ratio of net interest income to average assets(c)(d)(f)	**1.92**	1.92	**1.85**	1.81	1.76
Ratio of fees and commissions to average assets(c)(d)(f)	**0.54**	0.59	**0.55**	0.61	0.60
Rate of tax provision from profit, before taxes	**34.5**	36.5	**29.7**	36.2	35.4
Net interest income to average balance of interest-bearing assets (NIM)(c)(d)	**2.15**	2.13	**2.05**	2.02	1.95
Total income to total average assets under management by the Group(b)(c)(d)(e)	**0.91**	0.92	**0.81**	0.88	0.83
Total operating and other expenses to average total assets under management by the Group(c)(d)(e)	**0.32**	0.40	**0.33**	0.41	0.39

	As of June 30		As at December 31
	2022	2021	2021
Common Equity Tier 1 ratio(l)	**11.25**	11.98	11.50
Total capital to risk-weighted assets(a)(l)	**14.00**	14.93	14.21
Leverage ratio(h)	**6.25**	6.45	6.06
Liquidity coverage ratio(g)	**122**	129	124
Net stable funding ratio (NSFR)(i)	**127**		131
Equity attributable to the Bank's shareholders to total assets	**7.0**	6.8	6.3

Please see comments below.

Key credit quality indicators (in %)

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
Loan loss expenses (income) out of the average outstanding balance of loans to the public[(c)(k)]	**0.14**	(0.20)	**0.05**	(0.24)	(0.25)
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.32**	1.58	**1.32**	1.58	1.30
Percentage of non-performing[(j)] loans to the public or in arrears of 90 days or more out of outstanding loans to the public	**0.78**	1.22	**0.78**	1.22	1.02
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public[(c)]	**0.07**	(0.01)	**0.04**	(0.08)	(0.03)

(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. The translation of the quarterly and periodic ratios will be carried out using a linear calculation, instead 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 for the three and six months ended June 30, 2021 as published in the financial statements as of June 30, 2021 is 17.9 percent and 16.1 percent, respectively. 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 of, and Changes in, Assets, Liabilities, Capital and Capital Adequacy.
(i) Net stable funding ration (NSFR) calculated as of the financial statements as at December 31, 2021. For more information, please see the Liquidity Risk.
(j) For more information regarding the revision of the accounting policy starting January 1, 2022 on identifying and classifying non-performing debts (in lieu of impaired debts), please see Note 1.B.1.
(k) As of January 1, 2022, the Bank applies for the first time Reporting to the Public Directives regarding current expected credit 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.
(l) For more information, including anticipated regulatory changes regarding the measurement of capital adequacy, please see the section entitled Equity and Capital Adequacy.

Main income statement data

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	In NIS million				
Net income attributable to the Bank's shareholders	**1,992**	1,667	**3,601**	3,007	6,028
Interest Income, Net	**3,125**	2,774	**6,024**	5,122	10,346
Loan loss expenses (income)	**126**	(158)	**86**	(370)	(812)
Noninterest Income	**1,557**	1,532	**2,507**	2,906	5,511
Of which: fees and commissions	**872**	853	**1,802**	1,721	3,506
Total operating and other expenses	**1,641**	1,858	**3,435**	3,697	7,428
Of which: salaries and related expenses	**961**	1,055	**1,966**	2,133	4,242
Net earnings per share attributable to the Bank's shareholders (in NIS):					
Basic diluted net earnings	**1.36**	1.15	**2.47**	2.07	4.15

Main balance sheet data

	As of June 30		As at December 31
	2022	2021	2021
	In NIS million		
Total assets	**667,680**	597,422	656,454
Of which: cash and deposits with banks	**171,948**	160,946	197,402
Securities	**87,168**	91,474	86,927
Loans to the public, net	**364,924**	315,233	342,879
Total liabilities	**620,615**	556,130	614,402
Of which: deposits by the public	**532,737**	487,082	537,269
Deposits by banks	**23,701**	22,140	25,370
Bonds, promissory notes and subordinated bonds	**23,678**	13,199	15,428
Equity attributable to the Bank’s shareholders	**47,060**	40,848	41,610
Additional data:			
Price per share (in NIS)	**31.1**	24.8	33.5
Dividend per share (in agorot)[(a)]	**62.62**	-	137.48

(a) 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 materialize, 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 2022 and since then, the virus has been subsiding. In June 2022, another surge began which led to high morbidity (although lower than the surge in January 2022) and is subsiding since early August; as of the date of publication of the Report, there are no restrictions on activity in the economy, with the exception of wearing masks in several closed places.

Near the Report's publication date, more than 4.5 million people have been infected by the virus and more than 11,480 people have died in Israel. In December 2020, Israel began to vaccinate its population, and approximately 6.7 million people (near the Report's publication date) have been given the first dose, with approx. 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 4.5 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 July 26, 2022, the International Monetary Fund (IMF) revised its global growth forecasts for 2022. Compared with the prior forecast from April 2022, there was a significant (downward) change in the IMF's growth forecasts, mainly in the context of the worsening of financial conditions resulting from the continued increase in inflation around the world and in particular in the United States and in some European countries and the continued negative effects 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 beyond expectations, creating new bottlenecks in supply chains across the world. According to the current growth forecasts, the gross world product is expected to grow at a rate of approx. 3.2 percent in 2022, approx. 0.4 percentage points less than a previous forecast published in April 2022. As for the major western economies - the US economy is expected to grow by approx. 2.3 percent (a sharp 1.4 percentage point reduction on the back of the erosion of the public's purchasing power and the significant rise in the interest), with the Euro Zone is expected to grow by approx. 2.6 percent (a 0.2 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.

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

	2022	2021
World	**3.2%**	6.1%
USA	**2.3%**	5.7%
Eurozone	**2.6%**	5.3%
Japan	**1.7%**	1.6%
UK	**3.2%**	7.4%
China	**3.3%**	8.1%

The rising inflation in many countries - to rates unseen for many years (for example: in the United States the annual price increase rate reached approx. 9.1 percent in June 2022) - is partially explained by aggregate excess demand, on the back of economic recovery following the pandemic and with government support, with emphasis on the labor market and due to restrictions, which exacerbated the situation on the supply side, which included significant effects of the war between Russia and Ukraine on commodity prices. As a result, many central banks - led by the US Federal

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

Reserve - began to raise interest rates. Starting in March 2022, the Federal Reserve's Open Market Committee decided to raise the short-term interest rate, while also in May, June and July the interest rate was raised to a range of 2.25%-2.50% in July, with its members predicting in June that by the end of the year, the interest rate will have reached 3.4 percent (compared to 1.9 percent in the previous March 2022 forecast). The Bank of England also continued the process of raising the interest rate, which began in December 2021; as of July 2022, it stands at 1.25 percent. This is also the case in many central banks, including the Bank of Israel, which began raising the interest rate in April 2022.

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 on the Israeli economy may be limited to only a few industries which have production operations in Ukraine and Russia and/or which may have major customers in these countries. The indirect effects that are already materializing, 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, which affect prices in Israel. 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 composite state-of-the-economy index, which is published by the Bank of Israel and serves as a monthly indicator of the economic activity, was up by approx. 0.4% in the first half of the year. This is after a more rapid increase of approx. 1.2% in the first half last year.

On the other hand, labor market data continued to reflect an improvement in economic activity. The unemployment rate, under the ordinary definition (unemployed), was 3.4 percent in June 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 second quarter of the year. In June 2022, approx. 204 thousand workers (approx. 4.6 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 six months of the year, there was a surplus of approx. NIS 31.9 billion in the state budget, compared with a deficit of approx. NIS 43.7 billion in the corresponding period in 2021. In the past 12 months ended in June 2022, the surplus amounted to approx. 0.4 percent of GDP (approx. NIS 6.4 billion); according to the original 2022 budget, the deficit is expected to amount to 3.9 percent of GDP. The significant improvement 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.

Foreign trade and service export data

Israel's trade deficit reached approx. USD 21.5 billion in the first half of the year, compared with approx. USD 15.9 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, especially in the value of the energy product imports and also reflects the significant effect of price increases. These trends reflect the continued expansion of economic activity, which assumed its pre-pandemic growth trajectory.

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

Exchange Rate and Foreign Exchange Reserves

In the first six months of the year, the shekel depreciated against the US dollar by approx. 12.5 percent, and depreciated approx. 3.3 percent against the euro, and against the currency basket a depreciation of approx. 7.2 percent was recorded. The depreciation is partially explained by the sharp raising of interest rates by the Fed, compared to other large central banks, 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, such as the US dollar. At the end of June 2022, the Bank of Israel's foreign exchange reserves stood at approx. USD 193.8 billion compared to USD 213.0 billion 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 approx. USD 0.4 billion (all purchases were carried out in the first quarter of the year).

Inflation and Monetary Policy

The “in lieu” consumer price index (CPI) was up 3.2 percent in the first half of the year and 4.4 percent in the 12 months ending in June 2022 - a deviation from the price stability target range (1-3 percent). The index without energy prices rose by 2.6 percent and 3.9 percent, respectively, so the increase in energy prices provides only a partial explanation for the accelerated rate of increase in the general index. 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, which is reflected in wage increases in some market sectors, 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.

In the first half of the year, the “known” CPI was up 3.1 percent.

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. In the second quarter, on April 11, 2022, the interest rate was raised by 0.25 percentage points to 0.35 percent and on May 23, it was again raised to 0.75 percent. On July 4, this trend continued and even accelerated and the interest was set at 1.25 percent, with the Monetary Committee noting that the Israeli economy boasts robust economic activity, alongside a tight labor market, with an increase in the inflation environment. Therefore, the Committee decided to continue the process of raising the interest rate. The Committee also noted that 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 down by approx. 9.5 percent in the first half of the year, while in 2021, an increase of approx. 30.9 percent was recorded. After rate increases in the first quarter of the year, in the second quarter rate decreases of approx. 11 percent were recorded, mainly due to external influences on the economy, such as the Russia-Ukraine war and its impact on energy prices and commodity rates and the continued effect of morbidity surges on supply chains around the world (including due to the closures in China). As a result, an acceleration in inflation was recorded throughout the world, including in Israel, which led to an acceleration in the process of raising the interest rate by central banks around the world. The political instability and the early elections also contributed to the stock market weakness.

The average daily trade volume of shares and convertible securities in the first half of 2022 totaled approx. NIS 2.496 billion, an increase of approx. 32.9 percent compared to the average level in 2021.

The government bonds market in the first half of 2022 was affected by an increase in inflation which brought about an interest rate increase in Israel starting from the second quarter of the year. This is similar to the situation in the bond markets in other advanced countries. The CPI-Linked Government Bond Index was down by approx. 6.8 percent from January to June, while the Non-linked Government Bond Index was down by approx. 6.5 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 continues to be 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 restrictions implemented in China hurt ongoing economic activity. In some leading world countries, the vaccination process, including administering booster shots, was relatively successful, which has improved the ability to “live alongside the coronavirus”. Recently, since the end of May 2022, an increase in morbidity in Israel is again evident and is reflected in an increase in the number of people infected with the virus and in the number of people hospitalized with the illness, mostly patients in a mild-moderate condition. The Israeli Government has not yet tightened the various restrictions again related to dealing with the spreading morbidity.

The war in Ukraine erupted towards the end of February 2022. The war resulted in a considerable disruption of economic activity and exports from Ukraine, including a large agricultural production component. At the same time, sanctions were imposed on Russia in various areas, with a reduction in the import of energy and other products therefrom by many economies around the world. Commodity prices were affected and increased significantly, with an emphasis on energy, agriculture and industrial metals.

Due to the global economic effects of the renewed opening of the markets, alongside the effect of the restrictions in China and the Russia-Ukraine war, there is an additional acceleration in inflation in the world and central banks worldwide are acting to reduce the monetary conditions, while continuously raising interest rates and reducing the various quantitative instruments. Along with the tightening of monetary conditions, there was a deterioration in the state of the financial markets around the world, leading to the deterioration in the financial conditions, which are becoming tighter and tighter. The effects of the war in Ukraine, along with the expected effect of the tightening of the financial conditions, has resulted in large international entities, such as the OECD, considerably reducing the world growth forecasts for the years 2022-2023.

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 was completed.

As a result of the merger, a profit of approx. NIS 645 million, net of tax, was recorded. Out of that amount, a total of approx. NIS 194 million was recorded in the first quarter of 2022, and a total of NIS 451 million was recorded in the second quarter.

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 June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	In NIS million				
Interest income	**4,026**	3,021	**7,182**	5,434	10,863
Interest expense	**901**	444	**1,358**	700	1,298
Interest Income, Net	**3,125**	2,577	**5,824**	4,734	9,565
Loan loss expenses (income)	**126**	(157)	**71**	(386)	(842)
Interest income, net after loan loss expenses (income)	**2,999**	2,734	**5,753**	5,120	10,407
Noninterest income					
Noninterest finance income	**688**	624	**682**	1,057	1,694
Fees and Commissions	**872**	809	**1,754**	1,633	3,335
Other income (expenses)	**(3)**	51	**2**	114	281
Total noninterest income	**1,557**	1,484	**2,438**	2,804	5,310
Operating and other expenses					
Salaries and related expenses	**961**	956	**1,873**	1,940	3,861
Buildings and equipment - maintenance and depreciation	**315**	348	**645**	692	1,392
Other expenses	**365**	402	**759**	761	1,558
Total operating and other expenses	**1,641**	1,706	**3,277**	3,393	6,811
Profit before taxes	**2,915**	2,512	**4,914**	4,531	8,906
Provision for profit tax	**1,007**	925	**1,463**	1,659	3,188
Profit after taxes	**1,908**	1,587	**3,451**	2,872	5,718
The banking corporation's share in associates' profits, after tax	**84**	**80**	150	**135**	**310**
Of which: The banking corporation's share in BLUSA's profits[b]	**-**	57	**60**	105	218
Before attribution to owners of non-controlling interests	**1,992**	1,667	**3,601**	3,007	6,028
Attributable to non-controlling interests	-	-	-	-	-
Attributable to the Bank's shareholders	**1,992**	1,667	**3,601**	3,007	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.

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

	June 30		December 31
	2022	2021	2021
	In NIS million		
Assets			
Cash and deposits with banks	171,948	158,494	195,722
Securities	87,168	85,364	81,778
Loans to the public	369,811	302,610	329,201
Loan loss provision	(4,887)	(4,783)	(4,245)
Loans to the public, net	364,924	297,827	324,956
Loans to governments	1,314	945	940
Investments in associates	4,438	854	1,113
Buildings and equipment	2,678	2,653	2,618
Assets for derivatives	26,972	11,116	13,953
Other assets	6,232	7,130	6,935
Securities borrowed or purchased under reverse repurchase agreements	2,006	5,721	2,447
Investment in subsidiary BLUSA		2,362	2,340
Total assets	667,680	572,466	632,802
Liabilities and equity			
Deposits by the public	532,737	463,625	514,968
Deposits by banks	23,701	22,124	25,370
Deposits by Governments	332	212	299
Securities loaned or sold under repurchase agreements	2,862	562	2,046
Bonds, promissory notes and subordinated bonds	23,678	13,199	15,428
Liabilities for derivatives	23,954	11,471	15,475
Other liabilities	13,351	20,420	17,601
Total liabilities	620,615	531,613	591,187
Non-controlling interests	5	5	5
Capital attributable to the banking corporations' shareholders	47,060	40,848	41,610
Total equity	47,065	40,853	41,615
Total liabilities and equity	667,680	572,466	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 sale 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 the Leumi Service Campus in Lod.

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 Ethereum - 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 Line Items

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

On April 1, 2022, the merger transaction was completed and an investment was recorded in Valley according to the equity method. From that date the results of Bank Leumi USA are no longer consolidated in the Bank's consolidated financial statements.

For additional information regarding the recorded investment composition, please see Note 16.A.

As a result of the merger, a profit of approx. NIS 645 million, net of tax, was recorded. Out of that amount, a total of approx. NIS 194 million was recorded in the first quarter of 2022, and the balance was recorded in the current quarter.

For more information, please see the section entitled "Main Changes in the Past Period", the section entitled "Main Investee Companies, Bank Leumi USA" and Note 16.A.

During April 2022, the Bank entered into an agreement to sell one of the 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 more information regarding the manner of calculation and presentation of return on equity as of January 1, 2022, please see Note 1.B.3.

The following is an analysis of the results for the first half of 2022 (hereinafter - the "Reporting Period") and for the second quarter of 2022:

Net income attributable to shareholders (hereinafter - "net income") in the reporting period amounted to approx. NIS 3,601 million compared to approx. NIS 3,007 million in the same period last year. Net income in the second quarter of the year amounted to NIS 1,992 million, compared to a net income of NIS 1,667 million in the corresponding period last year.

The **return on equity** in the reporting period was approx. 17.1 percent, compared to a rate of approx. 15.5 percent in the same period last year. The return on equity in the second quarter of 2022 amounted to a rate of 18.5 percent compared with a rate of approx. 16.8 percent in the corresponding quarter last year (the return on equity for the three and six months ended June 30, 2021 as published in the financial statements as of June 30, 2021 is 16.1 percent and 17.9 percent, respectively. The difference stems from the revision of the Bank of Israel directives on the subject).

Net interest income, excluding BLUSA's results, in the reporting period totaled approx. NIS 5,824 million, compared to a total of approx. NIS 4,734 million in the corresponding period last year, an increase of approx. 23.0 percent. The increase in the interest income stems from the increase in the Bank's loan portfolio and from the differences in the CPI and interest rates from one period to another. In the reporting period, the CPI was positive, at 3.1 percent, compared with a positive 1.4 percent in the corresponding period last year. The index in the second quarter of the year was 1.9 percent, compared with an index of 1.3 percent in the corresponding quarter last year.

Loan loss expenses (income), excluding BLUSA's results, during the reporting period reflect an expense rate of approx. 0.04 percent of the average outstanding loans to the public compared to an expense rate of approx. (0.26) percent in the corresponding period last year, the expense in the reporting period stems from the increase in the collective provision, offset by collections. The rate of income in the specific provision was 0.17 percent and the expense rate in the collective provision, excluding BLUSA's results, was 0.21 percent. The rate of loan loss provision relative to the outstanding loans as of June 30, 2022 was approx. 1.32 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, excluding BLUSA's results, in the reporting period totaled approx. NIS 682 million, compared to a total of approx. NIS 1,057 million in the corresponding period last year. The income in the reporting period includes gross profit in respect of the merger transaction with Valley in the amount of approx. NIS 782 million. The income in the corresponding period includes gross gains on Retailors' shares and ironSource shares totaling approx. NIS 382 million recorded in the second quarter of 2021. The difference between the periods stems from declines in financial markets and the effect of derivatives and exchange rate differentials.

Operating and other fees and commissions, excluding BLUSA's results, were up by approx. NIS 121 million compared to the corresponding period last year. Most of the increase is on the back of fees and commissions from exchange rate differentials, fees and commissions from financing activities.

Operating and other expenses, excluding BLUSA's results, were down in the reporting period compared with the corresponding period last year, in the amount of approx. NIS 116 million, a 3.4 percent decrease. The decrease stems from salary expenses, and from the effect of the increase in the interest on actuarial liabilities and provision for paid leave. There was also a decrease in maintenance and depreciation expenses.

The efficiency ratio, excluding BLUSA's results, for the reporting period was approx. 39.7 percent compared to 45.0 percent in the corresponding period last year. The efficiency ratio in the second quarter of 2022 was 35.0 percent, compared with 42.0 percent in the corresponding quarter last year. The efficiency ratio was affected, in the reporting period and in the second quarter, by the merger with Valley.

Basic earnings per share attributable to the shareholders in the reporting period totaled a gain of approx. NIS 2.47 compared to a gain of approx. NIS 2.07 in the corresponding period last year.

CET1 capital to risk weighted assets ratio as at June 30, 2022 was 11.25 percent. Total capital ratio as at June 30, 2022 was 14.00 percent.

For more information, including anticipated regulatory changes regarding the measurement of capital adequacy, please see the section entitled Equity and Capital Adequacy.

On August 15, the Board of Directors approved a dividend distribution totaling NIS 399 million, which represents approximately 20 percent of the profit for the second quarter of 2022. For more information, please see section entitled "Equity and Capital Adequacy".

Material Developments in Income, Expenses and Other Comprehensive Income

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 and from that date, the Bank ceased the consolidation of the Bank Leumi USA results in its consolidated financial statements. On April 1, 2022, the Bank recorded an investment in Valley, which will be accounted for according to the equity method. Therefore, as part of the various analyses presented below, the results of the second quarter of 2022 do not include the results of BLUSA, while the results of the first quarter of 2022 and the comparative results include its results in the various line items, unless expressly stated otherwise. As aforesaid, starting from the second quarter of 2022, the Bank records equity profits in respect of the investment in Valley.

For additional information, please see Note 16A.

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

	For the three months ended June 30			
	2022	2021	Change	
	In NIS million		In NIS million	In %
Interest Income, Net	3,125	2,774	351	12.7
Loan loss expenses (income)	126	(158)	284	+
Noninterest Income	1,557	1,532	25	1.6
Operating and Other Expenses	1,641	1,858	(217)	(11.7)
Profit before taxes	2,915	2,606	309	11.9
Provision for tax	1,007	950	57	6.0
Profit after taxes	1,908	1,656	252	15.2
Bank's share in associates’ profits	84	22	62	+
Net income attributable to non-controlling interests	-	(11)	11	100.0
Net income attributable to the Bank's shareholders	1,992	1,667	325	19.5
Return on equity[(a)] (in %)	18.5	16.8		
Basic earnings per share (in NIS)	1.36	1.15		

Change in net income in the reporting period compared to the corresponding period last year

	For the six months ended June 30			
	2022	2021	Change	
	In NIS million		In NIS million	In %
Interest Income, Net	6,024	5,122	902	17.6
Loan loss expenses (income)	86	(370)	456	+
Noninterest Income	2,507	2,906	(399)	(13.7)
Operating and Other Expenses	3,435	3,697	(262)	(7.1)
Profit before taxes	5,010	4,701	309	6.6
Provision for tax	1,490	1,703	(213)	(12.5)
Profit after taxes	3,520	2,998	522	17.4
Bank's share in associates’ profits	91	29	62	+
Net income attributable to non-controlling interests	(10)	(20)	10	50.0
Net income attributable to the Bank's shareholders	3,601	3,007	594	19.8
Return on equity[(a)] (in %)	17.1	15.5		
Basic earnings per share (in NIS)	2.47	2.07		

See notes below.

(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. The translation of the quarterly and periodic ratios will be carried out using a linear calculation, instead 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 for the three and six months ended June 30, 2021 as published in the financial statements as of June 30, 2021 is 17.9 percent and 16.1 percent, respectively. 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.

Net income development by quarter

	2022	2021				
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Interest Income, Net	**3,125**	2,899	2,553	2,671	2,774	2,348
Loan loss expenses (income)	**126**	(40)	(83)	(359)	(158)	(212)
Noninterest Income	**1,557**	950	1,365	1,240	1,532	1,374
Operating and Other Expenses	**1,641**	1,794	1,876	1,855	1,858	1,839
Profit before taxes	**2,915**	2,095	2,125	2,415	2,606	2,095
Provision for tax	**1,007**	483	693	879	950	753
Profit after taxes	**1,908**	1,612	1,432	1,536	1,656	1,342
Bank's share in associates' profits	**84**	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	**1,992**	1,609	1,470	1,551	1,667	1,340
Return on equity[(a)] (in %)	**18.5**	15.6	14.0	15.1	16.8	14.2
Basic earnings per share (in NIS)	**1.36**	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. The translation of the quarterly and periodic ratios will be carried out using a linear calculation, instead 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 for the three and six months ended June 30, 2021 as published in the financial statements as of June 30, 2021 is 17.9 percent and 16.1 percent, respectively. 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.

Net interest income, not including BLUSA's results[a]

	For the three months ended June 30				For the six months ended June 30			
	2022		2021		**2022**		2021	
	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense) [b]	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense) [b]
	In NIS million	In %	In NIS million	In %	In NIS million	In %	In NIS million	In %
Interest income	**4,026**	**2.77**	3,021	2.44	**7,182**	**2.50**	5,434	2.25
Interest expense	**(901)**	**(0.89)**	(444)	(0.51)	**(1,358)**	**(0.69)**	(700)	(0.41)
Interest Income, Net	**3,125**	**1.88**	2,577	1.93	**5,824**	**1.81**	4,734	1.84
Net yield on interest-bearing assets (NIM)		**2.15**		2.08		**2.03**		1.96

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.A.

(b) 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. Therefore, the translation of the quarterly and periodic ratios will be carried out using a linear calculation, instead 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 in the first six months of 2022 compared to the corresponding period last year stemmed mainly from the growth in the Bank's loan portfolio and from CPI differences from one period to another. The CPI in the reporting period was a positive 3.1 percent, compared with a positive CPI of 1.4 percent in the corresponding period last year. Net interest income in the current period was positively affected by the positive CPI in the amount of approx. NIS 1,007 million, while in the corresponding period last year, the results were positively affected by the positive CPI by a total of approx. NIS 460 million.

The income rate was up 0.25 percent from one period to another, mainly due to the increase in the CPI and interest rates, 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 0.28 percent from one period to another, mainly due to the increase in the CPI and interest rates, 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 interest margin (NIM) 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 reporting period is 1.81 percent, compared to a 1.84 percent spread in the corresponding period last year.

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

In the non-linked NIS segment, the interest rate spread was 1.75 percent, compared with 1.78 percent in the corresponding period last year. In the CPI segment, the interest rate spread in the quarter was 1.66 percent, compared with 1.48 percent in the corresponding period last year. In the foreign exchange segment, the total interest spread in the reporting period was 0.49 percent, compared with 0.92 percent in the corresponding period last year.

Net interest income in the second quarter of 2022 totaled NIS 3,125 million, a 21.3 percent increase compared to the corresponding quarter last year. The CPI in the second quarter of 2022 was a positive 1.9 percent, and in the corresponding quarter last year, it was a positive 1.3 percent. Net interest income in the second quarter were positively affected by the positive CPI by a total of NIS 624 million, while in the corresponding quarter - they were positively affected by NIS 420 million. The increase in the net interest income compared to the corresponding quarter last year is mainly on the back on the growth in the loan portfolio, from the differences in the CPI between the quarters and from the increase in the interest rate.

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), excluding BLUSA's results[(a)]

	For the six months ended June 30		Change	
	2022[(b)]	2021		
	In NIS million		In NIS million	In %
Income for loan losses - Specific	**(299)**	(267)	(32)	12.0
Loan loss expense (income) - collective	**370**	(119)	489	+
Total loan loss expense (income)	**71**	(386)	457	+
Of which:				
Loan loss expenses (income) for credit risk for commercial credit risk	**29**	(348)	377	+
Loan loss expenses (income) for credit risk in respect of housing loans	**6**	(28)	34	+
Loan loss expenses (income) for other credit risk in respect of for private individuals	**15**	(9)	24	+
Loan loss expenses (income) for credit risk for banks, governments and held-to-maturity bonds	**21**	(1)	22	+
Total loan loss expenses (income)	**71**	(386)	457	+
Ratios (in %):[(c)]				
Percentage of specific income for loan losses out of the average outstanding loans to the public	**(0.17)**	(0.18)	0.01	5.6
Percentage of collective loan loss expense (income) out of the average outstanding loans to the public	**0.21**	(0.08)	0.29	+
Percentage of loan loss expenses (income) out of average outstanding loans to the public	**0.04**	(0.26)	0.30	+
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**0.01**	(0.11)	0.12	+
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**0.94**	(6.82)	7.76	+

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.A.

(b) Starting January 1, 2022, for the first time, the Bank is applying the Reporting to the Public Directives regarding current expected credit losses; on the date of first-time application the aggregate effect, net of tax, was recorded to retained earnings, without adjusting comparative figures. For more information, please see Note 1.B.1.
In addition, starting January 1, 2022, the Bank is applying the Bank of Israel's directives regarding the treatment of restructuring of troubled debt. For more information, please see Note 1.B.1.

(c) Annualized.

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			
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Income for loan losses - Specific	**(111)**	(164)	(90)	(151)	(76)	(169)
Loan loss expense (income) - collective	**237**	124	7	(208)	(82)	(43)
Total loan loss expense (income)	**126**	(40)	(83)	(359)	(158)	(212)
Of which:						
Loan loss expenses (income) for credit risk for commercial credit risk	**42**	1	(41)	(248)	(153)	(180)
Loan loss expenses (income) for credit risk in respect of housing loans	**14**	(7)	(55)	(63)	(8)	(19)
Loan loss expenses (income) for other credit risk in respect of for private individuals	**63**	(48)	13	(49)	4	(13)
Loan loss expenses (income) for credit risk for banks, governments and held-to-maturity bonds	**7**	14	-	1	(1)	-
Total loan loss expenses (income)	**126**	(40)	(83)	(359)	(158)	(212)
Ratios (in %):[(a)]						
Percentage of specific income for loan losses out of the average outstanding loans to the public	**(0.12)**	(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	**0.26**	0.14	0.01	(0.25)	(0.10)	(0.06)
Percentage of loan loss expenses (income) out of average outstanding loans to the public	**0.14**	(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	**0.07**	-[(b)]	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	**5.07**	0.16	2.75	0.85	(0.79)	(9.32)

(a) Annualized.
(b) 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 six months ended June 30			
	2022	2021	Change	
	In NIS million		In NIS million	In %
Noninterest finance income[(a)]	**702**	1,068	(366)	(34.3)
Fees and Commissions[(b)]	**1,802**	1,721	81	4.7
Other income[(a)]	**3**	117	(114)	(97.4)
Total	**2,507**	2,906	(399)	(13.7)

(a) The results of Bank Leumi USA (BLUSA) in this item are not material.
(b) Based on the results net of Bank Leumi USA, fees and commissions increased by approx. NIS 121 million compared to the corresponding period last year.

In view of the significant decline in the markets, among other things, in the context of the increase in interest rates, the weight of noninterest income out of total income (i.e., net interest income and noninterest income), excluding BLUSA's results, in the reporting period was 29.5 percent, compared with 37.2 percent in the corresponding period last year. In the second quarter, it was 33.3 percent, compared with 36.5 percent in the corresponding quarter last year and 35.7 percent throughout 2021.

Development of noninterest income by quarter

	2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Noninterest finance income[a]	**688**	14	370	276	627	441
Fees and Commissions[b]	**872**	930	939	846	853	868
Other (expenses) income[a]	**(3)**	6	56	118	52	65
Total	**1,557**	950	1,365	1,240	1,532	1,374

(a) The results of Bank Leumi USA (BLUSA) in this item are not material.
(b) As for the results net of BLUSA, in the three months ended June 30, 2022, income from fees and commissions was up by NIS 63 million, compared with the corresponding quarter last year, and down NIS 10 million compared with the previous quarter.

Breakdown of noninterest finance income

	For the six months ended June 30		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Net (expenses) income for derivatives and net exchange rate differentials for non-trading activities	**(52)**	211	(263)	-
(Losses) gains on sale of available-for-sale bonds, net	**(83)**	117	(200)	-
Realized and unrealized gains, net[a] and dividend from equity securities not held for trading	**181**	640	(459)	(71.7)
Gain on sale of investees' equity[b]	**830**	-	830	-
Gains on sold loans, net	**15**	-	15	-
Net (expenses) income for derivatives for trading activities	**(89)**	108	(197)	-
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	**(100)**	(8)	(92)	-
Total [c]	**702**	1,068	(366)	(34.3)

(a) Realized and unrealized gains from fair value adjustments of held-for-trading and not held for-trading bonds and equity securities, net also include the effect of exchange rate differentials. The six months ended June 30, 2021 include realized and unrealized gains on Retailors' shares and ironSource shares totaling approx. NIS 382 million recorded in the second quarter of 2021.
(b) On April 1, 2022, the merger transaction was completed and an investment was recorded in Valley according to the equity method. As a result of the merger, a gross profit of approx. NIS 782 million, was recorded, of which NIS 30 million are from income from derivative instruments activity and economic hedging of the aforementioned transaction.
(c) The results of Bank Leumi USA (BLUSA) in this item are not material.

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 reporting period, on the back of the increase in interest rates and the military confrontation between Russia and Ukraine.

Breakdown of noninterest finance income by quarter

	2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Net income (expense) in respect of derivatives and net exchange rate differentials for not-held-for-trading activities	**3**	(55)	51	48	110	101
(Losses) gains on sale of available-for-sale bonds, net	**(76)**	(7)	51	63	52	65
Realized and unrealized gains, net[(a)] and dividend from equity securities not held for trading	**166**	15	94	108	448	192
Gain on sale of investees' equity[(b)]	**752**	78	-	-	-	-
Gains on sold loans, net	**-**	15	-	-	-	-
Net (expenses) income for derivatives for trading activities	**(113)**	24	170	71	18	90
Realized and unrealized (losses) gains from adjustments to fair value of held-for-trading bonds and equity securities, net[(a)] and dividend from held-for-trading equity securities	**(44)**	(56)	4	(14)	(1)	(7)
Total [(c)]	**688**	14	370	276	627	441

(a) Realized and unrealized gains (losses) from fair value adjustments of held-for-trading and not held for-trading bonds and equity securities, net also include the effect of exchange rate differentials. The second quarter of 2021 includes realized and unrealized gains on Retailors' shares and ironSource shares totaling approx. NIS 382 million.

(b) On April 1, 2022, the merger transaction was completed and an investment was recorded in Valley according to the equity method. As a result of the merger, a gross profit of approx. NIS 782 million, was recorded, of which NIS 30 million are from income from derivative instruments activity and economic hedging of the aforementioned transaction.

(c) The results of Bank Leumi USA (BLUSA) in this item are not material.

Breakdown of fees and commissions

	For the six months ended June 30		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Account management	**325**	315	10	3.2
Activity in securities and certain derivatives	**360**	411	(51)	(12.4)
Credit cards	**188**	178	10	5.6
Credit handling	**116**	101	15	14.9
Financial products distribution fees and commissions	**135**	136	(1)	(0.7)
Exchange rate differentials	**242**	190	52	27.4
Financing fees and commissions	**266**	229	37	16.2
Other fees and commissions	**170**	161	9	5.6
Total fees and commissions[(a)]	**1,802**	1,721	81	4.7

(a) Based on the results net of Bank Leumi USA, fees and commissions increased by approx. NIS 121 million compared to the corresponding period last year.

The increase is on the back of fees and commissions from exchange rate differentials, fees and commissions from financing activities, account management fees, 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			
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Account management	**163**	162	174	160	158	157
Activity in securities and certain derivatives	**161**	199	200	173	192	219
Credit cards	**94**	94	88	99	94	84
Credit handling	**53**	63	55	47	50	51
Financial products distribution fees and commissions	**63**	72	73	72	69	67
Exchange rate differentials	**122**	120	118	94	92	98
Financing fees and commissions	**132**	134	146	120	115	114
Other fees and commissions	**84**	86	85	81	83	78
Total fees and commissions[a]	**872**	930	939	846	853	868

(a) As for the results net of BLUSA, in the second quarter of 2022, income from fees and commissions was up by NIS 63 million, compared with the corresponding quarter last year.

Breakdown of other income

	For the six months ended June 30			
	2022	2021	Change	
	In NIS million		In NIS million	In %
(Losses) gains on severance pay reserve	**(7)**	34	(41)	-
Other income, including on sale of buildings and equipment	**10**	83	(73)	(88.0)
Total[a]	**3**	117	(114)	(97.4)

(a) The results of Bank Leumi USA (BLUSA) in this item are not material.

Breakdown of other income by quarter

	2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
(Losses) gains on severance pay reserve	**(4)**	(3)	10	39	24	10
Other income, including on sale of buildings and equipment	**1**	9	46	79	28	55
Total[a]	**(3)**	6	56	118	52	65

(a) The results of Bank Leumi USA (BLUSA) in this item are not material.

Operating and other expenses, excluding BLUSA's results[a]

	For the six months ended June 30		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Salaries and related expenses	**1,873**	1,940	(67)	(3.5)
Depreciation and amortization	**294**	321	(27)	(8.4)
Maintenance expenses for buildings and equipment	**351**	371	(20)	(5.4)
Other expenses	**759**	761	(2)	(0.3)
Total operating and other expenses	**3,277**	3,393	(116)	(3.4)

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.A.

In the reporting period, there was a decrease in the amount of approx. NIS 116 million in operating and other expenses compared with the corresponding period last year; the decline stems from salary expenses, and from the effect of the increase in the interest on actuarial liabilities and decrease in provision for paid leave. There was also a decrease in maintenance and depreciation expenses.

The efficiency ratio for the reporting period is 39.7 percent compared to 45.0 percent in the corresponding period last year. The substantial improvement in the efficiency ratio arises from a substantial increase in income, among other things as a result of the merger transaction with Valley and from a negligible decrease in expenses. Net of the valley merger transaction, the efficiency ratio for the reporting period is 43.8 percent.

The efficiency ratio in the second quarter of 2022 was 35.0 percent, compared with 42.0 percent in the corresponding quarter last year. The efficiency ratio was affected, in the half-year and in the second quarter, by the merger with Valley. Net of the income from the valley merger transaction, the efficiency ratio for the second quarter is 41.8 percent.

Total (annualized) operating and other expenses constitute 0.98 percent of total assets, compared with 1.19 percent in the corresponding period last year.

Operating and other expenses, by quarter, excluding BLUSA's results[a]

	2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Salaries and related expenses	**961**	912	934	987	956	984
Depreciation and amortization	**137**	157	173	167	163	158
Maintenance expenses for buildings and equipment	**178**	173	188	172	185	186
Other expenses	**365**	394	418	379	402	359
Total operating and other expenses	**1,641**	1,636	1,713	1,705	1,706	1,687

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.A.

Salary expenses, excluding BLUSA's results[a]

	For the six months ended June 30		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Salaries and related expenses	**1,711**	1,748	(37)	(2.1)
Pension, severance and retirement expenses	**162**	192	(30)	(15.6)
Total salary expenses	**1,873**	1,940	(67)	(3.5)

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.A.

Salary expenses, by quarter, excluding BLUSA's results[a]

	2022		2021			
	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million					
Salaries and related expenses	**882**	829	850	897	858	890
Pension, severance and retirement expenses	**79**	83	84	90	98	94
Total salary expenses	**961**	912	934	987	956	984

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.A.

Following is the condensed comprehensive income statement

Comprehensive income for the reporting period totaled NIS 4,103 million compared to NIS 3,184 million in the corresponding period last year.

During the reporting period, the difference between the comprehensive income and the net income - totaling approx. NIS 502 million - arose from substantial positive adjustments of the liabilities for employee benefits in the amount of NIS 3,573 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 (3,208) 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 were stated directly in other comprehensive income.

It should be noted that the decline in the value of the bonds is immediately recorded in regulatory capital, while the positive effect on the pension liabilities due to the interest rate increase is recorded in regulatory capital over eight quarters.

For the three-and six-month periods ended June 30, 2022 and 2021 and for the year ended December 31, 2021

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	In NIS million				
Net income attributable to the Bank's shareholders	**1,992**	1,667	**3,601**	3,007	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	**(1,202)**	18	**(3,208)**	(492)	(438)
Adjustments of liabilities for employee benefits	**1,139**	105	**3,573**	749	392
Other adjustments[a]	**503**	(2)	**437**	(18)	(75)
Related tax effect	**(102)**	(62)	**(204)**	(70)	4
Less other comprehensive income (loss) attributable to non-controlling interests	**117**	(4)	**96**	(8)	(32)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**221**	63	**502**	177	(85)
Comprehensive income attributable to the Bank's shareholders	**2,213**	1,730	**4,103**	3,184	5,943

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

Structure of, and Changes in, Assets, Liabilities, Capital and Capital Adequacy

Total assets of the Leumi Group as of June 30, 2022 amounted to NIS 667.7 billion, compared to NIS 632.8 billion as of the end of 2021, not including the balances of Bank Leumi USA - a 5.5 percent increase, and compared to June 2021, not including the balances of Bank Leumi USA - a 16.6 percent increase.

The value of assets denominated in, and linked to, foreign currency out of the Group's total assets is approx. NIS 110.8 billion, 16.6 percent of the total assets. In the first half of 2022, the shekel devalued against the US dollar by 12.5 percent, devalued by 3.3 percent against the euro, and devalued by 0.8 percent against the pound sterling. The change in the shekel's exchange rates against all foreign currencies during the reporting period contributed to a 2.1 percent increase in the Group's total consolidated assets.

Total assets under the Group's management – total balance sheet and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached approx. NIS 1,993 billion as of June 30, 2022, compared with a total of NIS 2,144 billion as of the end of 2021.

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

	June 30	December 31	Change	
	2022	2021	From December 2021	From June 2021
	In NIS million		In %	
Total assets	**667,680**	632,802	5.5	16.6
Cash and deposits with banks	**171,948**	195,722	(12.1)	8.5
Securities	**87,168**	81,778	6.6	2.1
Loans to the public, net	**364,924**	324,956	12.3	22.5
Buildings and equipment	**2,678**	2,618	2.3	0.9
Deposits by the public	**532,737**	514,968	3.5	14.9
Deposits by banks	**23,701**	25,370	(6.6)	7.1
Bonds, promissory notes and subordinated bonds[(b)]	**23,678**	15,428	53.5	79.4
Equity attributable to the Bank's shareholders	**47,060**	41,610	13.1	15.2

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.

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

2. The following are developments in the main off-balance-sheet items, not including the balances of Bank Leumi USA in comparative results[(a)]

	June 30	December 31	Change	
	2022	2021	From December 2021	From June 2021
	In NIS million		In %	
Documentary credit, net	**1,132**	1,449	(21.9)	(28.5)
Guarantees and other commitments, net	**62,222**	52,194	19.2	34.1
Unutilized credit card credit facilities, net	**8,914**	7,994	11.5	9.7
Unutilized current loan account facilities and other credit facilities in demand accounts, net	**15,740**	16,528	(4.8)	3.0
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	**73,508**	66,383	10.7	17.1
Derivatives[(b)(c)]	**1,057,185**	887,481	19.1	34.7
Options - all types[(c)]	**153,112**	108,811	40.7	(46.3)

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.

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

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

Loans to the Public, Net

The balance of net loans to the public in the Leumi Group as of June 30, 2022 totaled approx. NIS 364.9 billion compared to approx. NIS 325.0 billion as of December 31, 2021, not including the balances of Bank Leumi USA, an increase of approx. 12.3 percent, and compared to June 2021, not including the balances of Bank Leumi USA, an increase of approx. 22.5 percent.

The loan loss provision balance in the Leumi Group totaled approx. NIS 4.9 billion compared to approx. NIS 4.2 billion as of December 31, 2021, not including the balances of Bank Leumi USA.

In addition to loans to the public, the Group invests in corporate securities, which total - as of June 30, 2022 - NIS 23,550 million compared to NIS 15,774 million as at the end of 2021, not including the balances of Bank Leumi USA, and which also embody credit risk.

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 sector, excluding the balances of BLUSA in comparative results[a]

	June 30	December 31		
	2022	2021	Change	
	In NIS million		In NIS million	In %
Private individuals - housing loans	**112,756**	103,143	9,613	9.3
Private individuals - Other	**28,586**	27,040	1,546	5.7
Construction and real estate	**92,378**	80,859	11,519	14.2
Commercial	**32,168**	26,445	5,723	21.6
Industry	**24,856**	19,702	5,154	26.2
Other	**74,180**	67,767	6,413	9.5
Total	**364,924**	324,956	39,968	12.3

(a) The comparative figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.

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 in comparative results[a]

	June 30			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	**1,966**	**159**	**2,125**	1,534	119	1,653
Performing credit risk, net	**2,763**	**420**	**3,183**	2,635	657	3,292
Total	**4,729**	**579**	**5,308**	4,169	776	4,945

	June 30	December 31
	2022	2021
	In NIS million	
Troubled credit risk - Commercial	**5,453**	5,282
Troubled credit risk - retail	**1,269**	1,283
Total	**6,722**	6,565
Balance of loan loss provision	**1,414**	1,620
Troubled loans after loan loss provision	**5,308**	4,945

(a) The comparative figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.

(b) The figures 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.

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

Securities

As of June 30, 2022, the Leumi Group's investments in securities amounted to NIS 87.2 billion, compared to NIS 81.8 billion as of the end of 2021, not including the balances of Bank Leumi USA, a 6.6 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 in comparative results[(a)]

	June 30, 2022					December 31, 2021				
	Held-to-maturity bonds[(e)]	Available-for-sale bonds[(b)(e)]	Not held-for-trading equity securities and mutual funds	Held-for-trading securities[(c)]	Total	Held-to-maturity bonds	Available-for-sale bonds[(b)]	Not held-for-trading equity securities and mutual funds	Held-for-trading securities[(c)]	Total
	In NIS million									
Bonds										
Of the Israeli Government	9,501	26,246		1,785	37,532	4,023	23,583		2,591	30,197
Of foreign governments[(d)]	-	15,579		-	15,579	-	25,500		-	25,500
Of Israeli financial institutions	-	49		495	544	-	54		288	342
Of foreign financial institutions[(f)]	969	11,564		51	12,584	-	8,206		27	8,233
Asset-backed (ABS) or mortgage-backed (MBS)	3,243	6,912		38	10,193	2,274	5,851		42	8,167
Of other Israeli entities	-	626		221	847	-	585		106	691
Of other foreign entities	317	5,098		72	5,487	51	4,229		53	4,333
Equity securities and mutual funds			4,385	17	4,402			4,298	15	4,313
Total securities	**14,030**	**66,074**	**4,385**	**2,679**	**87,168**	**6,348**	**68,008**	**4,298**	**3,122**	**81,776**

(a) The comparative results do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.

(b) Including unrealized losses from fair value adjustments of NIS 2,490 million recorded in other comprehensive income (December 31, 2021 - gains of NIS 1,359 million).

(c) Including unrealized losses from fair value adjustments in the amount of NIS 75 million recorded in profit and loss (December 31, 2021 - gains of NIS 8 million).

(d) The US government - NIS 8.9 billion (December 31, 2021 – NIS 18.7 billion).

(e) The outstanding balance of held-to-maturity bonds are presented net of a NIS 18 million loan loss provision. The outstanding balances of available-for-sale bonds are presented net of a NIS 2 million loan loss provision.

(f) Most bonds of foreign financial institutions are SSA-rated (Super-nationals, Sovereign and Agencies) or state-backed.

As of June 30, 2022, approx. 75.8 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 3.1 percent - as held-for-trading, approx. 5.0 percent as not held-for-trading equity securities and mutual funds and approx. 16.1 percent as held-to-maturity. Approx. 5.1 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 on the value of securities by method of measurement, please see Note 15.A.

The available-for-sale portfolio, excluding the balances and results of BLUSA, in comparative results

1. In the reporting period, there was a NIS 3,484 million decrease (before tax) in other comprehensive income in respect of available-for-sale bonds, compared with a decrease of NIS 376 million (before tax) in the corresponding period last year.
2. During the reporting period, net losses on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 93 million (before tax), compared with net gains of NIS 118 million (before tax) in the corresponding period last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds held in the available-for-sale portfolio as of June 30, 2022 totaled minus NIS 1,240 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 of June 30, 2022, the held-for-trading portfolio has approx. NIS 2.7 billion in bonds, compared with NIS 3.1 billion as of December 31, 2021. As of June 30, 2022, the held-for-trading portfolio constitutes approx. 3.1 percent of the Group's total nostro portfolio, compared with 3.8 percent as of December 31, 2021.

Realized and unrealized losses in respect of held-for-trading bonds in the amount of NIS 102 million were recorded net in the income statement in the reporting period, compared with net losses of NIS 8 million in the corresponding period last year.

Investments in equity securities and mutual funds

As of June 30, 2022, investments in equity securities and mutual funds totaled approx. NIS 4.4 billion, of which NIS 2.4 billion in marketable and NIS 2.0 billion - non-marketable.

Of the total investment, approx. NIS 4,385 million is classified to the not held-for-trading portfolio and approx. NIS 17 million - to the held-for-trading portfolio.

The regulatory capital required in respect of these investments as at June 30, 2022 was NIS 363 million.

Realized and unrealized gains (including dividend) in respect of the equity securities and mutual funds in the amount of NIS 183 million were recorded net in the income statement in the reporting period, compared with net gains of NIS 640 million in the corresponding period 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, excluding the balances of BLUSA in the comparative results

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, investment-grade, amounted to approx. NIS 10.2 billion (approx. USD 2.9 billion) as of June 30, 2022, compared to NIS 8.2 billion as at the end of 2021. Out of the above portfolio, as of June 30, 2022, approx. NIS 6.9 billion (approx. 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 June 30, 2022, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled approx. NIS 3.8 billion. 90.83 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 June 30, 2022, the total net cumulative impairment from the mortgage-backed bonds portfolio charged to shareholders' equity was approx. NIS 372 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total approx. NIS 378 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is approx. 5.33 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 NIS 3.1 billion, of which CLO bonds account for approx. NIS 2.1 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is approx. 5.7 years.

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

B. Investments in foreign non-asset-backed securities

As of June 30, 2022, the Group's securities portfolio includes approx. NIS 43.7 billion (USD 12.5 billion) in foreign non-asset-backed securities. NIS 36.8 billion (about USD 10.5 billion) is from bonds classified to the available-for-sale portfolio and the remainder - from the held-for-trading and held-to-maturity portfolios. 98.37 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 June 30, 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 1,632 million (NIS 1,074 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 of June 30, 2022, the value of the non-asset-backed held-for-trading portfolio was NIS 134 million (approx. USD 38.3 million).

Investments in bonds issued in Israel

As of June 30, 2022, investments in bonds issued in Israel amounted to NIS 32.1 billion, of which NIS 30.7 billion was in shekel-denominated bonds issued by the Israeli government and the remainder - corporate bonds. Approx. 48.5 percent of corporate bonds investments - which are approx. NIS 0.7 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 0.7 billion - include a negative capital reserve of NIS 26 million.

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

The balance of deposits by the public in the Leumi Group as of June 30, 2022 totaled NIS 532.7 billion compared to NIS 515.0 billion as of December 31, 2021, not including the balances of Bank Leumi USA, an increase of approx. 3.5 percent, and compared to a total of NIS 463.6 billion as of June 30, 2021, not including the balances of Bank Leumi USA, an increase of approx. 14.9 percent.

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

	June 30	December 31		
	2022	2021	Change	
	In NIS million		In NIS million	In %
Securities portfolios[(a)(d)]	**943,971**	1,057,107	(113,136)	(10.7)
Assets for which operating services are provided:[(a)(b)(c)]				
Provident and pension funds	**210,611**	237,860	(27,249)	(11.5)
Advanced study funds	**170,485**	192,552	(22,067)	(11.5)

(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.
(d) The balances of Bank Leumi USA (BLUSA) in this item are not material.

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 January 13, 2022, the Bank issued a total of approx. NIS 1.2 billion p.v. in bonds by way of an expansion of Series 179 and a total of approx. NIS 1.8 billion p.v. in bonds by way of an expansion of Series 182.

The bonds in Series 179 and 182 are not recognized for the purpose of regulatory capital.

For more information, please see the immediate report dated January 13, 2022.

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 redemption 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.

On May 29, 2022, the Bank issued a total of NIS 550 million p.v. in bonds by way of extending Series 179 in exchange for approx. NIS 593.5 million. In addition, the Bank issued a total of NIS 260.8 million p.v. in bonds by way of extending Series 183 in exchange for approx. NIS 248.3 million.

The Bank also issued a total of approx. NIS 898 million p.v. in commercial securities (Series 2 CS). The principal of the Series 2 Commercial Securities and interest in respect thereof shall be payable in one lump sum on May 28, 2023; it is not linked, and carries interest at a rate of 0.29 percent over the Bank of Israel's interest rate.

The Bond Series 179, 183 and Commercial Securities (Series 2 CS) are not recognized for regulatory capital purposes.

For more information, please see the immediate report dated May 30, 2022.

On July 27, 2022, the Bank issued a total of USD 500 million p.v. in Leumi $ 2027 Series Preferred TACT Institutional Bonds for a consideration of USD 496.7 million. The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange. The principal of the Leumi $ 2027 Series Preferred TACT Institutional Bonds bears annual fixed interest at a rate of 5.125 percent per year, which is payable in semiannual payments and is payable in one lump sum on July 27, 2027, while the Bank has the option for early redemption starting from June 27, 2027.

The Leumi $ 2027 Series Preferred TACT Institutional Bonds are not recognized for regulatory capital purposes.

For more information, please see the immediate reports dated July 18, 2022 and July 27, 2022.

Equity and Capital Adequacy

Issuance of shares

On June 23, 2022, the Bank completed an issuance of 90,909,091 ordinary shares, NIS 1 p.v. each, for a total consideration of NIS 2.75 billion. This is part of a non-uniform issuance to institutional investors, in Israel and abroad. The capital raising was carried out in the context of the Bank's significant growth in recent quarters and the desire to continue the growth momentum while continuing to focus the growth in mid-sized businesses, mortgages and business credit. The consideration of the issuance strengthened the Bank's regulatory capital and allows it to continue with its growth strategy and bring value to the shareholders.

Equity attributable to the Bank's shareholders totaled NIS 47,060 million on June 30, 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 ratio of equity to total assets on June 30, 2022 is 7.0 percent.

Capital Adequacy Structure[(a)]

	June 30		December 31
	2022	2021	2021
	In NIS million		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments[(c)]	**44,910**	42,014	43,117
Tier 2 capital, after deductions	**10,980**	10,331	10,148
Total capital	**55,890**	52,345	53,265
Balances of risk-weighted assets			
Credit risk	**367,975**	322,809	346,602
Market Risks	**7,059**	5,454	5,592
Operational risk	**24,135**	22,373	22,582
Total balances of risk-weighted assets	**399,169**	350,636	374,776
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted assets	**11.25%**	11.98%	11.50%
Total capital to risk-weighted assets	**14.00%**	14.93%	14.21%
Minimum CET1 capital ratio set by the Banking Supervision Department[(b)]	**10.20%**	9.20%	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 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.

During the first half of the year, the Bank completed a process of issuing shares as aforementioned, as well as the merger transaction between Leumi's subsidiary Bank Leumi USA and Valley National Bancorp. 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, on the back on the interest rate increase, 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.

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

For additional information regarding this transaction, please see the section entitled Major Investee Companies and Note 16.A.
For more information on anticipated regulatory changes regarding the measurement of capital adequacy, please 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, issued 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 principal loss absorption through conversion into 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 of June 30, 2022, is 0.2 percent in terms of CET1.

Accordingly, the minimum capital requirements applicable to the Bank as of June 30, 2022 are 10.20 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 on-balance-sheet 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 August 15, 2022, the Board of Directors approved a dividend distribution totaling NIS 399 million, which represents approx. 20 percent of the net income for the second quarter of 2022. The dividend approved per share of NIS 1 par value amounts to 25.818 agorot. The Board of Directors has set August 29, 2022 as the record date for dividend payment and September 6, 2022 as the payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Cash dividend paid
		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
May 23, 2022	June 15, 2022	22.14	322

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 as at December 31, 2021.

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 June 30, 2022, 100 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 June 30, 2022, 60 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 directive 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 is July 1, 2022. The application date of Directive 208A, Value Adjustment for Credit Risk, will be January 1, 2025.

Application of the new Directive is expected to reduce the Common Equity Tier 1 capital ratio by a rate of 0.15-0.20 percent in June 30, 2022 terms.

Circular entitled Regulatory Capital - Effect of Implementation of Accounting Principles regarding Current Expected Credit Losses, Proper Conduct of Banking Business Directive No. 299 and circular entitled Current Expected Credit 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 current 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.

Circular amending Proper Conduct of Banking Business Directive No. 203, The Standardized Approach - Credit Risks

On May 25, 2022, the Banking Supervision Department published a circular to the amendment to the Proper Conduct of Banking Business Directive No. 203, "The Standardized Approach - Credit Risk". Under the circular, the weight of the risk attributed to loans designated for the purchase of land for development or construction will be raised to 150 percent at an LTV rate exceeding 80 percent of the purchased property, excluding loans to purchase agricultural or forested land with no planning or rezoning prospects or loans for the purchase of land for the self-use of the borrower, who is not classified in the construction and real estate sector according to the sectoral classification in Section 7 of the Banking Supervision Reporting Directive 831 - "Total Credit Risk by Economic Sector". The Banking Supervision Department clarified that the change will be implemented starting from the third quarter of 2022, over four quarters, so that in the quarter ending on June 30, 2023, the capital requirement will be fully reflected. The Bank believes that the circular will not have a material effect. In this context, it should be noted that in some areas, clarifications may be given that could impact the manner in which the circular is implemented. If any clarifications are given, they may affect the manner in which the required added risk is calculated.

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

- Change in the amount of risk-weighted assets – Leumi's risk-weighted assets amounted to NIS 399.2 billion as at June 30, 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.
- Change in Common Equity Tier 1 - as of June 30, 2022, Common Equity Tier 1 totals NIS 44.9 billion. A NIS 100 million decrease in Common Equity Tier 1 capital will decrease the Common Equity Tier 1 capital percent and total capital ratio by 0.02 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 by 0.02 percent and total capital ratio by 0.01 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, signifies a cumulative effect of 0.05 percent on the Common Equity Tier 1 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 Common Equity Tier 1 Capital ratio and the total capital ratio for the current quarter.

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.

	June 30		December 31
	2022	2021	2021
	In NIS million		
Consolidated data			
Tier 1 capital	**44,910**	42,014	43,117
Total exposures	**718,134**	651,119	711,125
Leverage ratio			
Leverage Ratio	**6.25%**	6.45%	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.

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 financial statements as at December 31, 2021.

Condensed results of operations according to management approach

	For the three months ended June 30, 2022											
	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	246	290	536	1,424	396	353	377	(49)	4	28	56	3,125
Inter-segmental	399	47	446	(1,095)	60	(154)	(113)	872	(2)	3	(17)	-
Interest Income, Net	645	337	982	329	456	199	264	823	2	31	39	3,125
Noninterest income (expenses)	375	124	499	13	148	64	90	(88)	737	70	24	1,557
Total income	1,020	461	1,481	342	604	263	354	735	739	101	63	4,682
Loan loss expenses (income)	73	59	132	(1)	22	(36)	(36)	62	(7)	(8)	(2)	126
Total operating and other expenses	659	268	927	92	170	70	36	108	163	47	28	1,641
Profit before tax	288	134	422	251	412	229	354	565	583	62	37	2,915
Provision for tax	99	45	144	86	141	78	121	192	209	31	5	1,007
Net income attributable to the Bank's shareholders	189	89	278	165	271	151	233	406	374	82	32	1,992

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

	For the three months ended June 30, 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	234	264	498	1,051	347	269	283	55	6	25	240	2,774
Inter-segmental	233	19	252	(715)	(9)	(100)	(54)	625	(1)	-	2	-
Interest Income, Net	467	283	750	336	338	169	229	680	5	25	242	2,774
Noninterest Income	343	110	453	6	114	56	78	241	60	463	61	1,532
Total income	810	393	1,203	342	452	225	307	921	65	488	303	4,306
Loan loss expenses (income)	4	(33)	(29)	(10)	(40)	(87)	(5)	19	(6)	3	(3)	(158)
Total operating and other expenses	690	244	934	82	182	63	36	104	214	54	189	1,858
Profit (loss) before tax	116	182	298	270	310	249	276	798	(143)	431	117	2,606
Provision for tax	39	62	101	92	106	85	94	272	69	104	27	950
Net income (loss) attributable to the Bank's shareholders	77	120	197	178	204	164	182	527	(212)	348	79	1,667

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

	For the six months ended June 30, 2022											
	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	525	559	1,084	2,489	761	629	684	(3)	7	61	312	6,024
Inter-segmental	614	72	686	(1,802)	67	(234)	(149)	1,459	(3)	1	(25)	-
Interest Income, Net	1,139	631	1,770	687	828	395	535	1,456	4	62	287	6,024
Noninterest income (expense)	748	245	993	18	296	123	194	(166)	728	224	97	2,507
Total income	1,887	876	2,763	705	1,124	518	729	1,290	732	286	384	8,531
Loan loss expenses (income)	23	15	38	(2)	126	(33)	(87)	72	(10)	(5)	(13)	86
Total operating and other expenses	1,306	509	1,815	177	348	136	71	204	373	96	215	3,435
Profit before tax	558	352	910	530	650	415	745	1,014	369	195	182	5,010
Provision for tax (benefit)	191	120	311	181	222	142	255	346	(77)	64	46	1,490
Net income attributable to the Bank's shareholders	367	232	599	349	428	273	490	701	446	189	126	3,601
Balance as at June 30, 2022												
Loans to the public, net	32,106	26,546	58,652	114,209	59,536	53,266	50,478	16,348	5,535	875	6,025	364,924
Deposits by the public	195,101	52,927	248,028	-	97,874	30,764	13,244	142,407	3	-	417	532,737

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

	For the six months ended June 30, 2021											
	The Bank									Subsid-iaries 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	520	529	1,049	1,664	675	541	517	148	7	48	473	5,122
Inter-segmental	398	33	431	(1,012)	(13)	(180)	(72)	843	(1)	1	3	-
Interest Income, Net	918	562	1,480	652	662	361	445	991	6	49	476	5,122
Noninterest Income	706	223	929	10	227	113	156	629	149	571	122	2,906
Total income	1,624	785	2,409	662	889	474	601	1,620	155	620	598	8,028
Loan loss expenses (income)	(7)	(85)	(92)	(25)	(44)	(155)	(126)	55	-	4	13	(370)
Total operating and other expenses	1,381	480	1,861	157	371	137	65	207	428	102	369	3,697
Profit (loss) before tax	250	390	640	530	562	492	662	1,358	(273)	514	216	4,701
Provision for tax	85	133	218	181	192	168	226	464	81	124	49	1,703
Net income (loss) attributable to the Bank's shareholders	165	257	422	349	370	324	436	896	(354)	417	147	3,007
Balances as at June 30, 2021												
Loans to the public, net	28,997	24,650	53,647	97,212	47,642	41,043	36,822	10,260	5,225	786	22,596	315,233
Deposits by the public	184,084	49,430	233,514	-	82,287	28,543	12,384	103,924	3	-	26,427	487,082

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

	For the year ended December 31, 2021											
	The Bank									Subsid-iaries 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	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 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 a description of the main operating segments, please see the section entitled "Regulatory Operating Segments" in the financial statements as at December 31, 2021.

Summary of activities by regulatory operating segment

	For the three months ended June 30, 2022										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- & micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest Income, Net	295	463	34	571	264	538	39	879	3	39	3,125
Noninterest Income	13	234	37	222	87	160	46	742	-	16	1,557
Total income	308	697	71	793	351	698	85	1,621	3	55	4,682
Loan loss expenses (income)	14	63	-	101	(7)	(83)	3	37	-	(2)	126
Total operating and other expenses	93	561	21	407	113	115	56	105	142	28	1,641
Profit (loss) before tax	201	73	50	285	245	666	26	1,479	(139)	29	2,915
Provision for tax (benefit)	65	25	16	96	82	221	8	495	(6)	5	1,007
Net income (loss) attributable to the Bank's shareholders	136	48	34	189	163	445	18	1,068	(133)	24	1,992

	For the three months ended June 30, 2021										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- & micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest Income, Net	278	347	10	444	189	387	12	861	1	245	2,774
Noninterest Income	16	230	43	198	78	139	45	668	56	59	1,532
Total income	294	577	53	642	267	526	57	1,529	57	304	4,306
Loan loss expenses (income)	(8)	4	-	(65)	(22)	(49)	(1)	(15)	-	(2)	(158)
Total operating and other expenses	81	624	24	395	112	111	58	88	176	189	1,858
Profit (loss) before tax	221	(51)	29	312	177	464	-	1,456	(119)	117	2,606
Provision for tax (benefit)	79	(18)	10	114	64	168	-	525	(19)	27	950
Net income (loss) attributable to the Bank's shareholders	142	(33)	19	198	113	296	-	953	(100)	79	1,667

Summary of activities by regulatory operating segment (cont.)

	For the six months ended June 30, 2022										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- & micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest Income, Net	604	815	45	1,041	481	989	60	1,697	5	287	6,024
Noninterest Income	25	476	81	445	186	318	98	784	(3)	97	2,507
Total income	629	1,291	126	1,486	667	1,307	158	2,481	2	384	8,531
Loan loss expenses (income)	7	15	-	85	13	(83)	1	61	-	(13)	86
Total operating and other expenses	178	1,138	48	791	224	233	102	205	301	215	3,435
Profit (loss) before tax	444	138	78	610	430	1,157	55	2,215	(299)	182	5,010
Provision for tax (benefit)	151	51	26	212	148	395	18	757	(314)	46	1,490
Net income attributable to the Bank's shareholders	293	87	52	398	282	762	37	1,549	15	126	3,601

Balance as at June 30, 2022											
Loans to the public, gross	112,878	29,482	443[(a)]	63,868	37,851	117,706	1,525	-	-	6,058	369,811
Deposits by the public	-	124,928	28,226	96,238	68,999	90,380	123,549	-	-	417	532,737

	For the six months ended June 30, 2021										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- & micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest Income, Net	542	681	21	873	376	761	25	1,365	(1)	479	5,122
Noninterest Income	29	475	85	403	156	280	91	1,152	115	120	2,906
Total income	571	1,156	106	1,276	532	1,041	116	2,517	114	599	8,028
Loan loss expenses (income)	(28)	(8)	-	(108)	(63)	(185)	(1)	9	-	14	(370)
Total operating and other expenses	156	1,251	50	792	229	213	115	174	348	369	3,697
Profit (loss) before tax	443	(87)	56	592	366	1,013	2	2,334	(234)	216	4,701
Provision for tax (benefit)	159	(33)	20	216	134	368	-	837	(47)	49	1,703
Net income (loss) attributable to the Bank's shareholders	284	(54)	36	376	232	645	2	1,526	(187)	147	3,007

Balance as at June 30, 2021											
Loans to the public, gross	96,238	26,955	388[(a)]	54,713	31,505	84,771	2,732	-	-	22,998	320,300
Deposits by the public	-	121,760	25,923	82,707	58,298	77,868	94,099	-	-	26,427	487,082

(a) Including outstanding housing loans as at As at June 30, 2022 in the amount of NIS 176 million as at June 30, 2021 totaling NIS 154 million.

Summary of activities by regulatory operating segment (cont.)

	For the year ended December 31, 2021										
	Activity in Israel									Foreign oper-ations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-busi-nesses	Mid-sized busi-nesses	Corpo-rations	Institu-tionals	Financial manage-ment	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 tax	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.

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 half of 2022 totaled NIS 380 million, compared to NIS 230 million in the corresponding period last year. The increase in profit stems mainly from an increase in interest income and a decrease in operating expenses, which were partially offset by an increase in loan loss expenses.

Net interest income in the first half of 2022 totaled NIS 1,419 million, compared to NIS 1,223 million in the corresponding period last year. In the first half of 2022, there was an increase in income from housing loans, mostly as a result of an increase in the volume of activity, in income from deposit spreads due to the increase in interest rates.

Net interest income in the second quarter of 2022 totaled NIS 758 million, compared to NIS 625 million in the corresponding quarter last year. Most of the increase stems from an increase in the deposit spreads due to the increase in interest rates.

Noninterest income in the first half of 2022 totaled NIS 501 million, compared to NIS 504 million in the corresponding period last year.

Net noninterest income in the second quarter totaled NIS 247 million, compared to NIS 246 million in the corresponding period last year.

In the first half of 2022, loan loss expenses were recorded in the amount of NIS 22 million, compared to income of NIS 36 million in the corresponding period last year.

In the second quarter of 2022, net loan loss expenses in the amount of NIS 77 million were recorded, compared to income of NIS 4 million in the corresponding period last year. The increase is due, among other things, to an increase in the balance of the performing and the troubled debts.

Loan losses in the quarter are affected by the first-time application of new accounting principles on the subject of provisions for Current Expected Credit Losses (CECL) and by the implementation of relevant provisions regarding the Banking Supervision Department that entered into effect on January 1, 2022, which are not reflected in the comparative figures. Loan losses in the corresponding quarter last year were affected by the release of provisions as a result of the reopening of the economy to activity and the beginning of the emergence from the coronavirus crisis in view of the rapid vaccination process.

For additional information on current expected credit losses (CECL) and additional provisions of the Banking Supervision Department, please see Note 1.B.1.

Operating and other expenses in the first half of 2022 totaled NIS 1,316 million, compared to NIS 1,407 million in the corresponding half last year mainly due to a decrease in salary expenses and in depreciation expenses.

Net operating and other expenses in the second quarter of 2022 amounted to NIS 654 million, compared to NIS 705 million in the corresponding quarter last year.

Outstanding loans to the public as of June 30, 2022 totaled NIS 142.4 billion compared to NIS 131.3 billion as at the end of 2021. Most of the increase stems from growth in the housing loan portfolio.

Balance of deposits by the public as of June 30, 2022 totaled NIS 125 billion compared to NIS 120.5 billion at the end of 2021.

Retail banking segment

Net income attributable to shareholders in respect of the retail banking segment in the first half of 2022 totaled NIS 52 million, compared to NIS 36 million in the corresponding period last year.

Net interest income in the first half of 2022 totaled NIS 45 million, compared to NIS 21 million for the corresponding period last year. In the first half of 2022, there was an increase in income from deposit spreads due to the increase in interest rates.

Net interest income in the second quarter of 2022 totaled NIS 34 million, compared to NIS 10 million in the corresponding quarter last year. Most of the increase stems from an increase in the deposit spreads due to the increase in interest rates.

Noninterest income in the first half of 2022 totaled NIS 81 million, compared to NIS 85 million in the corresponding period last year.

Net noninterest income in the second quarter totaled NIS 37 million, compared to NIS 43 million in the corresponding period last year.

Micro-and small-business segment

Net income attributable to shareholders in respect of the micro- and small business sector in the first half of 2022 totaled NIS 398 million, compared to NIS 376 million in the corresponding period last year. The increase in profit is due to an increase in interest income and in income from fees and commissions, offset by an increase in collective loan loss expenses.

Net interest income in the first half of 2022 totaled NIS 1,041 million, compared to NIS 873 million in the corresponding period last year. In the first half of 2022, there was an increase in the volume of activity and an increase in the deposit spreads due to an increase in interest rates, which were partially offset by an erosion of credit spreads.

Net interest income in the second quarter of 2022 totaled NIS 571 million, compared to NIS 444 million in the corresponding quarter last year. Most of the increase stems from an increase in the deposit spreads due to the increase in interest rates and from an increase in the volume of credit activity.

Noninterest income in the first half of 2022 totaled NIS 445 million, compared to NIS 403 million in the corresponding period last year. In the first half of 2022, there was an increase in conversion gain commissions and in account management fees.

Net noninterest income in the second quarter totaled NIS 222 million, compared to NIS 198 million in the corresponding period last year. Most of the increase stems from conversion gain commissions and account management fees.

In the first half of 2022, loan loss expenses in the amount of NIS 85 million were recorded, compared to income of NIS 108 million in the corresponding period last year.

In the second quarter of 2022, net loan loss expenses were recorded in the amount of NIS 101 million, compared to income of NIS 65 million in the corresponding period last year.

Loan losses are affected by the first-time application of new accounting principles on the subject of provisions for Current Expected Credit Losses (CECL) and by the implementation of relevant provisions regarding the Banking Supervision Department that entered into effect on January 1, 2022, which are not reflected in the comparative figures. Loan losses in the corresponding quarter last year were affected by the release of provisions as a result of the reopening of the economy to activity and the beginning of the emergence from the coronavirus crisis in view of the rapid vaccination process.

For additional information on current expected credit losses (CECL) and additional provisions of the Banking Supervision Department, please see Note 1.B.1.

Outstanding loans to the public as of June 30, 2022 totaled NIS 63.9 billion compared to NIS 57.5 billion as at the end of 2021.

Balance of deposits by the public as of June 30, 2022 totaled NIS 96.2 billion compared to NIS 86.9 billion at the end of 2021.

Mid-sized business segment

Net income attributable to the shareholders in respect of the mid-market segment in the first half of 2022 totaled NIS 282 million, compared to NIS 232 million in the corresponding period last year. The increase in profit stems mainly an increase in net interest income, which was partially offset by an increase in the collective loan loss expenses.

Net interest income in the first half of 2022 totaled NIS 481 million, compared to NIS 376 million in the corresponding period last year. In the first half of 2022, there was an increase in the volume of activity and an increase in the deposit spreads due to an increase in the Fed interest and the Bank of Israel interest, which was partially offset by an erosion of credit spreads.

Net interest income in the second quarter of 2022 totaled NIS 264 million, compared to NIS 189 million in the corresponding quarter last year. Most of the increase stems from an increase in the deposit spreads due to the increase in interest rates.

Noninterest income in the first half of 2022 totaled NIS 186 million, compared to NIS 156 million in the corresponding period last year. In the first half of 2022, there was an increase in commissions for conversion gain, handling of credit and contracts and commissions from financing transactions.

Net noninterest income in the second quarter totaled NIS 87 million, compared to NIS 78 million in the corresponding period last year.

In the first half of 2022, loan loss expenses were recorded in the amount of NIS 13 million, compared to income of NIS 63 million in the corresponding period last year.

In the second quarter of 2022, net loan loss expenses were recorded in the amount of NIS 7 million, compared to income of NIS 22 million in the corresponding period last year.

Loan losses are affected by the first-time application of new accounting principles on the subject of provisions for Current Expected Credit Losses (CECL) and by the implementation of relevant provisions regarding the Banking Supervision Department that entered into effect on January 1, 2022, which are not reflected in the comparative figures. Loan losses in the corresponding quarter last year were affected by the release of provisions as a result of the reopening of the economy to activity and the beginning of the emergence from the coronavirus crisis in view of the rapid vaccination process.

Outstanding loans to the public as of June 30, 2022 totaled NIS 37.9 billion compared to NIS 34.5 billion as at the end of 2021.

Balance of deposits by the public as of June 30, 2022 totaled NIS 69.0 billion compared to NIS 60.9 billion at the end of 2021.

Corporate segment

Net income attributable to shareholders in respect of the large business sector in the first half of 2022 totaled NIS 762 million, compared to NIS 645 million in the corresponding period last year. The source of the increase is the increase in the volume of activity, which was partially offset by the erosion of profits and by an increase in the collective loan loss provision expenses.

Net interest income in the first half of 2022 totaled NIS 989 million, compared to NIS 761 million in the corresponding period last year. In the first half of 2022, there was an increase in the volume of activity in the real estate sector and in business and commercial credit. In addition, there was an increase in the deposit spreads due to an increase in interest rates, which were partially offset by an erosion of credit spreads.

Net interest income in the second quarter of 2022 totaled NIS 538 million, compared to NIS 387 million in the corresponding quarter last year. Most of the increase stems from an increase in the volume of activity and in the deposit spreads due to the increase in interest rates.

Noninterest income in the first half of 2022 totaled NIS 318 million, compared to NIS 280 million in the corresponding period last year. In the first half of 2022, there was an increase in commissions from financing transactions and conversion gain commissions.

Net noninterest income in the second quarter totaled NIS 160 million, compared to NIS 139 million in the corresponding period last year. Most of the increase stems from commissions from financing transactions.

In the first half of 2022, loan loss income was recorded in the amount of NIS 83 million, compared to income of NIS 185 million in the corresponding period last year.

In the second quarter of 2022, net loan loss income was recorded in the amount of NIS 83 million, compared to income of NIS 49 million in the corresponding period last year.

Loan losses are affected by the first-time application of new accounting principles on the subject of provisions for Current Expected Credit Losses (CECL) and by the implementation of relevant provisions regarding the Banking Supervision Department that entered into effect on January 1, 2022, which are not reflected in the comparative figures. Loan losses in the corresponding quarter last year were affected by the release of provisions as a result of the reopening of the economy to activity and the beginning of the emergence from the coronavirus crisis in view of the rapid vaccination process.

Operating and other expenses in the first half of 2022 totaled NIS 233 million, compared to NIS 213 million in the corresponding half last year due mainly to an increase in salary expenses.

Outstanding loans to the public as of June 30, 2022 totaled NIS 117.7 billion compared to NIS 94.0 billion as at the end of 2021. Most of the increase stems from the construction and real estate industry.

Balance of deposits by the public as of June 30, 2022 totaled NIS 90.4 billion compared to NIS 90.2 billion at the end of 2021.

Financial management segment

Net income of the financial management segment attributable to the Bank's shareholders in the first half of 2022 totaled NIS 1,549 million compared to NIS 1,526 million in the corresponding period last year.

Net interest income in the first half of 2022 totaled NIS 1,697 million, compared to NIS 1,365 million in the corresponding period last year.

The decrease in financing profit stems mainly from losses due to market declines, offset by an increase in income from linkage differences in view of the increase in the Consumer Price Index and from the sale of Bank Leumi USA.

Net interest income in the second quarter of 2022 totaled NIS 879 million, compared to NIS 861 million in the corresponding quarter last year. The increase stems mainly from the increase in the CPI between the periods.

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 subsidiary Bank Leumi USA with Valley on April 1, 2022, and for information regarding a 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 of June 30, 2022, was approx. NIS 13 billion, compared with NIS 11.7 billion as of December 31, 2021, with the investee companies contributing NIS 370 million to the Group's net income in the first half of 2022, compared with NIS 584 million in the corresponding period last year.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 8,111 million as of June 30, 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 half of 2022 was NIS 189 million, compared with NIS 417 million in the corresponding period 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 financial statements as at December 31, 2021.

Gain on sale of ironSource shares

On June 28, 2021, Leumi Partners sold 1,290,230 shares of ironSource Ltd., as part of a merger between ironSource and a SPAC company, under which ironSource began trading on the NYSE. After the completion of the merger and having sold the abovementioned shares, Leumi Partners holds 0.75 percent of ironSource's shares. These shares were subject to contractual restriction provisions for a period of 6 months, which apply to ironSource's shareholders.

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

The pre-tax loss recorded by the Bank in the first half of 2022 in respect of the sold shares and revaluation of the remaining shares amounted to approx. NIS 62 million, of which approx. NIS 20 million in the second quarter of 2022.

On July 13, 2022, Leumi Partners disposed of its remaining stake in ironSource; the profit expected to be recorded in the Bank's financial statements for the third quarter of 2022 is in an immaterial amount.

Consolidated Companies Outside Israel

The Bank's total investments (including in capital notes) in its foreign offices as of June 30, 2022 was NIS 1,466 million, compared with NIS 3,625 million at the end of 2021.

In the first half of 2022, the foreign offices' contribution to the Group's shekel net income was NIS 147 million, compared with a NIS 165 million net income in the corresponding period last year.

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

Bank Leumi USA and the merger transaction with Valley National Bancorp

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 controlling shareholder in Valley.

As a result of the merger, a profit of approx. NIS 645 million, net of tax, was recorded. Out of that amount, a total of approx. NIS 194 million was recorded in the first quarter of 2022, and a total of NIS 451 million was recorded in the second quarter.

Starting from April 1, 2022, the Bank has been accounting for the investment in Valley according to the equity method and has classified the investment in Valley as a foreign operation whose functional currency is other than the shekel.

For more information, please see Note 36.G to the financial statements as at December 31 2021.

Initial data regarding the investment in Valley as of April 1, 2022:

	In NIS million
Value of Valley shares received	3,047
Share in equity that confers the right to receive profits	2,045
Initial goodwill recognized[(a)]	1,013

(a) As is possible in accordance with GAAP, the above data are based on an initial attribution of the purchase proceeds, based on fair value estimates. These assessments are preliminary and based on available information and various assumptions, which the Bank believes are reasonable considering the circumstances. Actual results may differ. The Bank will end the aforementioned process in a period not exceeding one year from the date of the acquisition.

The market value of the Valley shares held by the Bank as of June 30, 2022 amounts to NIS 2,618 million.

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” and Note 16.A.

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, including receipt of the permits required for the move from the Bank of Israel and the transfer of most of BLUK’s credit portfolio to LABL.

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

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 managing 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 management strategy 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.

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

In some of the sectors harmed in the crisis (with emphasis on hotels and aviation), there is still a gap in the extent of their recovery compared to other economic sectors. In the second quarter of 2022, the state of the labor market continued to improve and is close to full employment. Most business and private customers with deferred loans have resumed their regular payments.

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.

The Bank regularly monitors risk focal points and market developments across all business lines, including in the context of the trend of rising inflation and interest rates, which is expected in the coming year.

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 Current Expected Credit 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 expense in the second quarter of 2022 was approx. NIS 126 million, of which an income of NIS (111) million of the loan loss income was attributed to the specific provision and a NIS 237 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; the surge culminated at the end of January and since then, it has been subsiding. In June, another surge began which led to high morbidity (although lower than the surge in January) and as of the date of publication of the Report, there are no restrictions on activity in the economy. The surges of morbidity have an effect on the whole world, primarily in China, which implemented a "zero Covid" policy. The strict restrictions in China, in an attempt to prevent a renewed outbreak of the pandemic, are harming the current economic activity in the country, creating delays in the global supply chain.

In July 2022, the International Monetary Fund (IMF) revised its growth forecasts for 2022 downward, in the context of the worsening of financial conditions resulting from the continued increase in inflation and interest rates around the world and in particular in the United States and in some European countries and the continued negative effects of the war between Russia and Ukraine. The growing uncertainty is adversely affecting financial markets globally as well as asset values and - as a result –households and businesses in Israel.

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 the uncertainty currently prevalent in the markets and the effects it may have on the condition of households and businesses in Israel, as described 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; as of the date of the Report, this guidance has expired.

As of June 30, 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 1.5 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 June 30, 2022, which were not classified as restructuring of troubled debt following the deferment

	Deferred debts as of the reporting date			More information about outstanding loans to the public for which deferment was granted					More information about deferred debts by deferment period[(a)]		Debts whose deferment term has ended, as of the reporting date	
					Non-troubled debts				Non-troubled debts with accrued deferment			
	Outstanding loans for which payments were deferred	No. of loans[(c)]	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	Outstanding loans to the public	Of which: in arrears of 30 days or more
	In NIS million											
Corporations	6	2	2	6	-	-	-	-	-	-	960	-
Mid-sized businesses	48	25	12	12	-	-	36	36	1	34	1,825	-
Small- and micro-businesses	171	296	39	12	2	-	157	159	11	114	5,060	45
Private individuals - excluding housing loans	18	238	3	1	3	-	14	17	2	2	1,109	19
Housing loans	1,660	3,724	215	58	1,455	1	146	1,602	56	1,454	15,422	163
Total as at June 30, 2022	**1,903**	**4,285**	**271**	**89[(b)]**	**1,460**	**1**	**353**	**1,814**	**70**	**1,604**	**24,376**	**227**
Total as at March 31, 2022	2,560	4,582	385	390	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 8 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.

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. On April 30, 2022, the State decided to end the activity of the coronavirus fund (General Track and High-Risk Track). Applications submitted until April 30, 2022 (inclusive) were treated as usual, and the treatment of debt arrangements and forfeitures will continue as usual in accordance with the provisions of the agreement.

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

Customer classification	**Outstanding debt as at June 30, 2022**	Recorded outstanding debt as at December 31, 2021
	In NIS million	
Small- and micro-businesses	**3,138**	3,636
Mid-sized businesses	**1,005**	1,190
Corporations	**246**	307
Total	**4,389**	5,133

Comments:
1. Customer classification is based on regulatory operating segments.
2. The Bank granted loans totaling NIS 6.8 billion.

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

	June 30, 2022			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[a]				
On-balance-sheet credit risk	266,143	110,728	27,336	404,207
Off-balance-sheet credit risk[c]	113,827	4,621	13,010	131,458
Total credit risk in credit performance rating	379,970	115,349	40,346	535,665
Non-investment grade credit risk				
a. Non-troubled	1,255	1,783	1,295	4,333
b. Total troubled	4,814	566	681	6,061
Troubled performing[d]	2,930	52	492	3,474
Troubled non-performing[d]	1,884	514	189	2,587
Total on-balance sheet credit risk	6,069	2,349	1,976	10,394
Off-balance-sheet credit risk[c]	1,092	-	213	1,305
Total non-investment grade credit risk	7,161	2,349	2,189	11,699
Of which: Performing debts, in arrears of 90 days or more	231	-	65	296
Total overall credit risk incl. of the public[b]	387,131	117,698	42,535	547,364

More information on non-performing assets				
a. Non-performing debts	1,884	514	189	2,587
b. Assets received for settled loans	12	-	-	12
Total non-performing assets of the public	1,896	514	189	2,599
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.70%

(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 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.)

	June 30, 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	214,411	92,473	24,890	331,774
Off-balance sheet credit risk[(d)]	97,656	3,430	12,256	113,342
Total credit risk in credit performance rating	312,067	95,903	37,146	445,116
Non-investment grade credit risk				
a. Non-troubled	2,782	3,336	1,487	7,605
b. Total troubled	6,320	687	645	7,652
Troubled performing[(b)(f)]	3,395	667	446	4,508
Troubled non-performing[(f)]	2,925	20	199	3,144
Total on-balance sheet credit risk	9,102	4,023	2,132	15,257
Off-balance sheet credit risk[(d)]	742	-	200	942
Total non-investment grade credit risk	9,844	4,023	2,332	16,199
Of which: Performing debts, in arrears of 90 days or more[(b)]	56	666	38	760
Total overall credit risk incl. of the public[(c)]	321,911	99,926	39,478	461,315

More information on non-performing assets				
a. Non-performing debts	2,925	20	199	3,144
b. Assets received for settled loans	4	-	-	4
Total non-performing assets of the public	2,929	20	199	3,148
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.98%

(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-investment grade credit risk for housing loans, such that it also includes 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
Non-investment grade credit risk				
a. Non-troubled	2,236	2,302	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)]	1,221	-	211	1,432
Total non-investment grade credit risk	8,631	2,931	2,249	13,811
Of which: Performing debts, in arrears of 90 days or more[(b)]	284	609	48	941
Total overall credit risk incl. of the public[(c)]	351,309	107,412	40,494	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 includes 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, excluding BLUSA's figures[(a)1]

	For the six months ended June 30, 2022		
	Commercial	Private individuals[(d)]	Total
	In NIS million		
Outstanding balance of non-performing debts at the beginning of the period	2,047	225	2,272
Effect of first-time application of rules for identification and classification of troubled debts[(b)]	21	583	604
Balance of non-performing debts as at January 1, 2022	2,068	808	2,876
Loans classified as non-performing debts during the period	396	354	750
Debts reclassified as performing	(137)	(224)	(361)
Written-off non-performing debts	(176)	(59)	(235)
Repaid non-performing debts	(267)	(176)	(443)
Outstanding balance of non-performing debts at the end of the period	1,884	703	2,587

	For the six months ended June 30, 2021[(c)]		
	Commercial	Private individuals[(d)]	Total
	In NIS million		
Outstanding balance of non-performing debts at the beginning of the period	2,791	242	3,033
Loans classified as non-performing debts during the period	371	164	535
Debts reclassified as performing	(140)	(106)	(246)
Written-off non-performing debts	(121)	(34)	(155)
Repaid non-performing debts	(319)	(47)	(366)
Adjustments from translation of financial statements	5	-	5
Outstanding balance of non-performing debts at the end of the period	2,587	219	2,806

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. for additional information, please see Main Changes in the Previous Period and Note 16.A.

(b) Cumulative effect in respect of first-time application of provision for current expected credit losses, as outlined in US GAAP's ASU 2016-13, Financial Instruments - Credit Losses. Please see Note 1.B.2.

(c) 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.

(d) Including outstanding debts of private individuals - other and housing loans.

[1]Of which: Change in the restructuring of non-performing credit, excluding BLUSA's figures[a]

	For the six months ended June 30, 2022		
	Commercial	Private individuals[d]	Total
	In NIS million		
Outstanding balance of non-performing debts under restructuring at the beginning of the period	**1,570**	**185**	**1,755**
Effect of first-time application of rules for identification and classification of troubled debts[b]	**1**	**94**	**95**
Balance of non-performing debts under restructuring as at January 1, 2022	**1,571**	**279**	**1,850**
Restructuring of non-performing debts carried out during the period	**144**	**159**	**303**
Restructured debt reclassified as performing	**(89)**	**(95)**	**(184)**
Written-off non-performing debts under restructuring	**(73)**	**(32)**	**(105)**
Repaid non-performing debts under restructuring	**(240)**	**(45)**	**(285)**
Outstanding balance of non-performing debts under restructuring at the end of the period	**1,313**	**266**	**1,579**

	For the six months ended June 30, 2021[c]		
	Commercial	Private individuals[d]	Total
	In NIS million		
Outstanding balance of non-performing debts under restructuring at the beginning of the period	1,709	187	1,896
Restructuring of non-performing debts carried out during the period	416	135	551
Restructured debt reclassified as performing	(110)	(79)	(189)
Written-off non-performing debts under restructuring	(49)	(24)	(73)
Repaid non-performing debts under restructuring	(195)	(38)	(233)
Adjustments from translation of financial statements	1	-	1
Outstanding balance of non-performing debts under restructuring at the end of the period	1,772	181	1,953

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. for additional information, please see Main Changes in the Previous Period and Note 16.A.

(b) Cumulative effect in respect of first-time application of provision for current expected credit losses, as outlined in US GAAP's ASU 2016-13, Financial Instruments - Credit Losses. Please see Note 1.B.2.

(c) 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.

(d) 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 current expected credit losses (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, excluding BLUSA figures[e]

	June 30, 2022[a]			
	Commercial	Housing	Private individuals - other	Total
	In %			
Analysis of quality of loans to the public				
Percentage of outstanding non-performing loans to the public[b] out of outstanding loans to the public	0.83	0.45	0.64	0.70
Percentage of non-performing loans to the public[b] or in arrears of 90 days or more out of outstanding loans to the public	0.93	0.45	0.87	0.78
Percentage of troubled loans to the public out of outstanding loans to the public	2.12	0.50	2.32	1.64
Percentage of non-investment grade credit risk out of outstanding loans to the public	2.67	2.08	6.74	2.81
Analysis of loan loss expenses for the reporting period[a]				
Percentage of loan loss expenses out of the average outstanding balance of loans to the public	0.03	0.01	0.10	0,04[c]
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	(0.01)	0.02	0.19	0.01
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	1.69	0.28	2.46	1.32
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	204.09	62.45	381.48	188.91
Percentage of balance of the loan loss provision for loans to the public out of outstanding non-performing loans to the public[b] or in arrears of 90 days or more	181.80	62.45	283.86	169.51
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[a][d]	(171.46)	17.83	13.35	107.44

(a) Annualized.
(b) 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) Including loan loss expenses for loans to the public, banks, governments and bonds.
(d) In NIS million.
(e) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.

In the second half of 2022, some of the above indicators improved. This was mainly due to the 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, excluding BLUSA figures[(b)] (cont.)

	June 30, 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	1.44	0.02	0.74	0.93
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	1.47	0.71	0.88	1.18
Percentage of troubled loans to the public out of outstanding loans to the public	3.15	0.71	2.40	2.31
Percentage of non-investment grade credit risk out of outstanding loans to the public	4.28	4.17	7.95	4.57
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	(0.40)	(0.06)	(0.06)	(0.26)
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	(0.20)	0.01	0.05	(0.11)
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	2.07	0.63	2.84	1.68
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	143.60	-[(d)]	382.91	181.11
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	140.56	88.19	321.52	142.51
Percentage of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[(b)(e)]	(10.86)	100.83	63.50	(15.69)

(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) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.
(d) Rate of more than 1,000 percent.
(e) In NIS million.

Following is a breakdown of qualitative analysis indicators of loans to the public, expenses and loan loss provision, excluding BLUSA figures[b] (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	1.03	0.02	0.73	0.69
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	1.17	0.61	0.90	0.97
Percentage of troubled loans to the public out of outstanding loans to the public	2.22	0.61	2.28	1.72
Percentage of non-investment grade credit risk out of outstanding loans to the public	2.98	2.83	7.27	3.30
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	(0.37)	(0.15)	(0.17)	(0.28)
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	(0.09)	-[d]	0.07	(0.05)
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	1.69	0.47	2.54	1.38
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	163.26	+[c]	346.83	200.00
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	143.80	78.06	281.03	141.73
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[e]	(20.25)	122.75	35.55	(32.23)

(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) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.

(c) Rate of more than 1,000 percent.

(d) Rate of less than 0.01 percent.

(e) In NIS million.

Total Credit Risk to the Public by Economic Sector

	June 30, 2022						
					Loan losses[c][h]		
	Total credit risk[a]	Of which: Credit perfor-mance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-perfor-ming credit risk	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
In respect of borrower activity in Israel - Public-commercial							
Industry	35,772	35,193	454	106	11	(18)	(366)
Construction and real estate - construction[f]	93,143	92,502	471	113	(5)	(8)	(838)
Construction and real estate - real estate activity	44,408	43,956	204	131	(11)	(95)	(1,022)
Commerce	39,194	38,580	472	114	60	13	(465)
Financial services	55,378	55,356	21	5	29	-	(170)
Other sectors	56,529	54,568	1,620	718	(1)	39	(1,134)
Commercial - total	324,424	320,155	3,242	1,187	83	(69)	(3,995)
Private individuals - housing loans	117,675	115,326	566	514[g]	7	9	(322)
Private individuals - Other	42,450	40,265	702	188	15	27	(737)
Total loans to the public - activity in Israel	484,549	475,746	4,510	1,889	105	(33)	(5,054)
Banks and governments in Israel	43,022	43,022	-	-	7	-	(26)
Total activity in Israel	527,571	518,768	4,510	1,889	112	(33)	(5,080)
For borrower activity outside Israel							
Total, public - activity outside Israel	62,815	59,919	2,212	903	(36)[i]	97 [i]	(323)
Foreign banks and governments	50,684	50,684	-	-	10	-	(10)
Total activity outside Israel	113,499	110,603	2,212	903	(26)	97	(333)
Total activity in and outside Israel	641,070	629,371	6,722	2,792	86	64	(5,413)

(a) On- and off-balance sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets in respect of 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 386,973, 82,784, 2,006, 26,989 and 142,318 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 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.

(h) Outstanding loan loss provision according to CECL - for more information, please see Note 1.B.1.

(i) Regarding the results without Bank Leumi USA, loan loss income from total foreign operations - public amounted to NIS 50 million and net charge-offs amounted to NIS 57 million.

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

	June 30, 2021						
					Loan losses[c]		
	Total credit risk[a]	Of which: Credit performance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-performing credit risk[g]	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
In respect of borrower activity in Israel - Public-commercial							
Industry	27,103	26,587	481	175	6	5	(442)
Construction and real estate - construction[f]	69,367	68,855	386	76	(14)	(26)	(495)
Construction and real estate - real estate activity	37,425	36,674	329	174	(28)	(46)	(416)
Commerce	31,631	30,858	711	169	(50)	6	(428)
Financial services	35,715	35,702	13	3	48	(7)	(292)
Other sectors	48,091	45,716	1,879	859	(308)	(118)	(1,066)
Commercial - total	249,332	244,392	3,799	1,456	(346)	(186)	(3,139)
Private individuals - housing loans	99,816	95,799	687	20	(28)	2	(605)
Private individuals - Other	39,091	36,762	657	198	(8)	6	(776)
Total loans to the public - activity in Israel	388,239	376,953	5,143	1,674	(382)	(178)	(4,520)
Banks and governments in Israel	42,384	42,384	-	-	-	-	(1)
Total activity in Israel	430,623	419,337	5,143	1,674	(382)	(178)	(4,521)
For borrower activity outside Israel							
Total, public - activity outside Israel	73,076	68,163	3,105	1,668	13	47	(959)
Foreign banks and governments	61,320	61,311	8	8	(1)	-	(1)
Total activity outside Israel	134,396	129,474	3,113	1,676	12	47	(960)
Total activity in and outside Israel	565,019	548,811	8,256	3,350	(370)	(131)	(5,481)

(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 336,366, 86,631, 5,721, 11,112 and 125,189 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						
In respect of 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-sectors.

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 second quarter of 2022, the growth trend 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.

In recent years, 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 share of the troubled credit risk in the construction and real estate industries (activity in Israel) continues to be significantly lower than the share of the troubled credit risk in the total 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.

During the second quarter of 2022, the content of the policy was expanded.

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 June 30, 2022, the Bank complies with the regulatory limitation set out in law. In addition, the Bank set internal limitations that are in line with the Bank's assessment of the risk in the various sub-industries. Nevertheless, considering the significant credit needs in the sector on the one hand and the regulatory limitation on the other, the Bank is working on implementing a plan to reduce the concentration ratio 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.

On May 3, 2022, a final circular was published on the subject, expanding the reporting for the construction and real estate sector, effective from September 30, 2022.On May 18, 2022, the Banking Supervision Department published a document featuring examples of credit underwriting and classification expected of the banks.

Circular amending Proper Conduct of Banking Business Directive No. 203, The Standardized Approach - Credit Risks

For more information regarding the effect of the amendment to the circular, please see the section on Capital and Capital Adequacy in the Report of the Board of Directors and Management and the section on Legislation and Regulation in the Corporate Governance Report.

Some of the above information constitutes "forward-looking information". For the meaning and implications 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 2020, the mid-sized and large shopping centers sustained a significant decline in income due to the "coronavirus lockdowns". During 2021, with the economy's gradual return to full activity, the centers benefited from increased activity due to the outbreak of "pent-up demand" that had accumulated among households during the closure periods and in view of low volumes of Israelis traveling abroad.

From the beginning of 2022, there is a slowdown in the activity of the commercial sectors, in the context of the increase in Israelis' travel abroad and in view of the diminishing effect of the "pent-up demand". Looking forward, these factors, along with additional factors (the damage from inflation and the rising interest on the public's purchasing power, the entry of a wide supply of commercial space, continued expansion in the share of online commerce) may lead to a slowdown in the commercial centers' activity in the coming year.

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 new office space is expected to come into use, and along with the uncertainty prevailing in the markets and in the high-tech sector, there may be a slowdown in price increases and in occupancy rates, especially in Tel-Aviv suburbs.

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

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)

	June 30		December 31(b)	Change compared to December 31, 2021	
	2022	2021	2021		
	In NIS million			In NIS million	In %
On-balance-sheet credit risk(b)	**94,498**	79,166	90,905	3,593	4.0%
Guarantees for apartment buyers(a)	**9,330**	6,339	7,669	1,661	21.7%
Other off-balance-sheet credit risk(a)(b)	**42,074**	37,161	37,872	4,202	11.1%
Total overall credit risk	**145,902**	122,666	136,446	9,456	6.9%

(a) In credit risk terms.
(b) Regarding the comparative results net of Bank Leumi USA, the balance sheet credit risk as of June 30, 2021 and as of December 31, 2021 amounted to NIS 71,246 million and NIS 82,289 million, respectively. In addition, the off-balance sheet credit risk as of June 30, 2021 and as of December 31, 2021 amounted to NIS 35,986 million and NIS 36,637 million, respectively.

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

	June 30	December 31
	2022	2021
	Total credit risk[(a)]	
	In NIS million	
Secured by real estate collateral		
Real estate properties under construction:		
Undeveloped land[(c)]	**29,079**	21,758
Real estate under construction	**43,494**	37,794
Of which: housing under construction:[(b)]		
Absorption capacity 0-29	**1,871**	874
Absorption capacity 30-39	**2,711**	2,821
Absorption capacity 40-74	**7,445**	8,166
Absorption capacity of 75 or more	**8,934**	9,664
Project starts	**10,342**	4,483
Finished real estate properties[(c)]	**41,913**	36,173
Total credit secured by real estate properties in Israel	**114,486**	95,725
Not secured by real estate collateral in Israel	**22,781**	23,319
Total overall credit risk for construction and real estate in Israel	**137,267**	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.

(c) As of June 30, 2022, the credit risk of undeveloped land at an LTV ratio over 80% amounted to approx. NIS 6.2 billion and the credit risk of finished real estate properties at an LTV ratio over 80% amounted to approx. NIS 9 billion.

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

	June 30	December 31
	2022	2021
	Total credit risk[(a)]	
	In NIS million	
Housing	**64,618**	51,195
Office space	**20,466**	17,249
Industry	**6,203**	4,691
Commerce and services	**23,199**	22,590
Total overall credit risk secured by real estate collateral in Israel	**114,486**	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

	June 30	December 31	
	2022	2021	
	In NIS million		Change in %
Credit risk in credit performance rating			
Non-troubled Credit Risk	**144,179**	134,002	7.6
Non-investment grade credit risk			
Non-troubled	**783**	1,165	(32.8)
Troubled performing[(a)]	**485**	740	(34.5)
Non-performing[(a)]	**455**	539	(15.6)
Total overall non-investment grade credit risk	**1,723**	2,444	(29.5)
Total	**145,902**	136,446	6.9

(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 June 30, 2022, the Bank meets the 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:

	June 30, 2022		
	Exposure[a][b]		
	On-balance-sheet	Off balance-sheet[c]	Total
	In NIS million		
USA	**29,424**	**5,828**	**35,252**
UK	**26,390**	**11,718**	**38,108**
France	**3,214**	**2,324**	**5,538**
Switzerland	**1,598**	**3,614**	**5,212**
Germany	**8,484**	**2,419**	**10,903**
Other	**21,077**	**5,125**	**26,202**
Total exposure to foreign countries	**90,187**	**31,028**	**121,215**
Of which: total exposure to GIPS countries[d]	**786**	**186**	**972**
Of which: total exposure to LDC countries[e]	**846**	**1,231**	**2,077**
Of which: total exposure to countries with liquidity issues[f]	**150**	**26**	**176**

	June 30, 2021		
	Exposure[a][b]		
	On-balance-sheet	Off balance-sheet[c]	Total
	In NIS million		
USA	30,665	7,120	37,785
UK	17,197	11,108	28,305
France	1,987	2,236	4,223
Switzerland	1,304	1,806	3,110
Germany	4,708	1,451	6,159
Other	27,127	3,093	30,220
Total exposure to foreign countries	82,988	26,814	109,802
Of which: total exposure to GIPS countries[d]	1,149	240	1,389
Of which: total exposure to LDC countries[e]	1,072	863	1,935
Of which: total exposure to countries with liquidity issues[f]	163	32	195

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 16 countries (on June 30, 2021 - 12 countries, on 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.

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 of June 30, 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	**26,859**	**1,304**	**28,163**
A- to A+	**9,265**	**1,220**	**10,485**
BBB- to BBB+	**172**	**211**	**383**
B- to BB+	**31**	**21**	**52**
Lower than: B-	**11**	**-**	**11**
No credit rating	**115**	**-**	**115**
Total current credit exposure to foreign financial institutions	**36,453**	**2,756**	**39,209**

	As at June 30, 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	27,570	783	28,353
A- to A+	5,084	872	5,956
BBB- to BBB+	350	158	508
B- to BB+	60	10	70
Lower than: B-	-	-	-
No credit rating	124	-	124
Total current credit exposure to foreign financial institutions	33,188	1,823	35,011

	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
Lower than: B-	-	-	-
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) As of June 30, 2022, 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 bonds of banks rated "subordinated" total NIS 911 million (on June 30, 2021 - NIS 633 million and on 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 June 30, 2022, June 30, 2021 and December 31, 2021, there is no troubled credit risk vis a vis foreign financial institutions.

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 investment in the bank's equity, government guarantees for certain asset portfolios, guarantees for raising funding 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 Loan 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 loan provision, both for housing and investment purposes.

Despite the rising interest rate trend, the level of demand for mortgages remains high, in the second quarter of 2022 as well.

The housing loan portfolio is monitored and the trends in its characteristics and risk centers analyzed on a regular basis, including analysis of the effect of the rising interest rate. The Bank also extends individual housing loans to members of housing purchase groups.

In the first half of 2022, new housing loan performance in Israel increased compared with the corresponding half last year - both to purchase homes and credit for investment secured by an apartment.

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

	For the six months ended June 30		Rate of change
	2022	2021	
	In NIS million		In %
By the Bank	**15,902**	12,384	28.4
By the government of Israel	**60**	82	(26.8)
Total new loans	**15,962**	12,466	28.0
Old recycled loans, from the Bank's funds	**1,568**	867	80.8
Total performance	**17,530**	13,333	31.5

The average loan extended by the Bank in the first half of 2022 was NIS 984 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. The purpose of the directive is to increase information transparency to customers and improve the competitive environment in the mortgage sector. On pre-approval, a banking corporation is required to provide customers with three uniform tracks and an additional "suggested track" - a track that is recommended to the customer.
  Certain types of loans were excluded from the requirement to present uniform tracks, such as: 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.

On July 7, 2022, an additional update to the directive was received, which included changes and additions, as well as an updated schedule for implementation. According to the new schedule, the update will enter into effect gradually from August 31, 2022 to November 30, 2022.

- On June 22, 2022, an amendment to the Banking Law (Customer Service) was published, which set a ceiling for the portfolio opening fee for a housing loan, in the amount of NIS 360. The amendment will enter into effect on August 22, 2022.

The temporary orders published by the Bank of Israel in the coronavirus crisis, which included regulatory expedients, have expired.

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
June 30, 2022	**112,733**	**9.3**

As aforementioned, in 2020 and 2021, there was an increase in the extent of housing loans, 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. The increase continued in the first half 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		
	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Total loans portfolio, in NIS millions
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
June 30, 2022	**26,754**	**23.7**	**47,111**	**41.8**	**15,527**	**13.8**	**22,839**	**20.3**	**502**	**0.4**	**112,733**

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
	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance						
	In %						
Fixed - linked	**8.6**	9.2	11.0	12.4	16.0	16.2	16.7
Variable every 5 years or more - linked	**15.9**	16.9	17.1	16.0	15.9	17.0	18.5
Variable up to 5 years - linked	**-**	-	-	-	-	-	-
Fixed - non-linked	**32.4**	32.4	30.3	27.3	26.5	28.8	29.5
Variable every 5 years or more - non-linked	**1.0**	1.3	1.3	1.5	1.6	1.7	3.1
Variable up to 5 years - non-linked	**42.0**	40.0	40.1	42.6	39.9	36.3	32.2
Variable - Foreign currency	**0.1**	0.2	0.2	0.2	0.1	-	-

The percentage of new variable-interest housing loans granted by the Bank in the first half of 2022 was 58.7 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 41.2 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
June 30, 2022	**113,055**	**514**	**0.45**

(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 June 30, 2022, the outstanding loan loss provision, which includes the collective provision for housing loans (hereinafter - the "collective provision"), is NIS 321 million, constituting 0.28 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.

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
	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio	In %[a]						
Over 60 and up to 70, inclusive	**22.7**	23.2	21.7	21.8	22.4	20.7	19.7
Over 70 and up to 75, inclusive	**25.8**	25.4	23.2	24.3	23.6	21.5	19.1
Over 75	**0.2**	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 June 30, 2022 stands at 48 percent, compared with 47 percent in 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.

The percentage of loans granted in the second half of 2022 with a repayment ratio of less than 2.5 on the loan approval date was 0.35 percent of the 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 the second quarter of 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 46.8 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.

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
June 30, 2022	**42,441**

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

	June 30, 2022		December 31, 2021	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	**4,915**	**16.8**	4,785	17.3
Over one year to 3 years	**5,318**	**18.2**	5,253	19.0
Over 3 years to 5 years	**7,930**	**27.1**	7,983	28.9
Over 5 years to 7 years	**6,232**	**21.4**	5,396	19.5
Over 7 years	**2,347**	**8.0**	2,023	7.3
No repayment term[(a)]	**2,493**	**8.5**	2,219	8.0
Total	**29,235**	**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		**June 30, 2022**		December 31, 2021	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	**6,195**	**14.6**	6,122	15.2
25	50	**6,073**	**14.3**	5,957	14.8
50	75	**5,163**	**12.2**	5,078	12.7
75	100	**4,205**	**9.9**	4,058	10.1
100	150	**6,579**	**15.5**	6,337	15.8
150	200	**4,829**	**11.4**	4,469	11.2
200	300	**5,169**	**12.2**	4,482	11.2
Over 300		**4,228**	**9.9**	3,618	9.0
Total overall credit risk		**42,441**	**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)

	June 30, 2022		December 31, 2021	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	**6,190**	**14.6**	5,782	14.4
Car purchase loans (secured)	**1,407**	**3.3**	1,305	3.3
Other loans	**21,638**	**51.0**	20,572	51.3
Total on-balance sheet credit risk	**29,235**	**68.9**	27,659	69.0
Unutilized current account credit facilities	**7,072**	**16.6**	6,948	17.3
Unutilized credit card facilities	**5,761**	**13.6**	5,265	13.1
Other off-balance-sheet credit risk	**373**	**0.9**	249	0.6
Total off-balance-sheet credit risk	**13,206**	**31.1**	12,462	31.0
Total overall credit risk	**42,441**	**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)

	June 30, 2022				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans	**27,590**	**35**	**104**	**27,729**	**94.8**
Fixed interest loans	**1,450**	**14**	**42**	**1,506**	**5.2**
Total on-balance sheet credit risk	**29,040**	**49**	**146**	**29,235**	**100.0**

	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

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

	June 30	December 31
	2022	2021
	In NIS million	
Deposits by the public	**102,013**	96,857
Securities portfolios	**52,980**	58,478
Total financial asset portfolio	**154,993**	155,335
Total indebtedness to customers with financial asset portfolios	**31,704**	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)

	June 30, 2022		December 31, 2021	
Level of income	In NIS million	In %	In NIS million	In %
Accounts without fixed income	**2,839**	**9.7**	2,586	9.4
Of which: loan accounts[b]	**1,807**	**6.2**	1,732	6.3
Less than NIS 10 thousand	**6,888**	**23.6**	6,891	24.9
More than NIS 10 thousand and less than NIS 20 thousand	**9,844**	**33.7**	9,628	34.8
NIS 20 thousand or more	**9,664**	**33.0**	8,554	30.9
Total	**29,235**	**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 repayment 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 their income. As a result, over 90 percent of the 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)

	June 30	December 31
	2022	2021
	In NIS million	
Non-troubled credit	**28,555**	27,022
Troubled performing loans[a]	**492**	433
Troubled non-performing loans[a]	**188**	204
Total on-balance sheet credit risk	**29,235**	27,659
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	**2.3%**	2.3%
Charge-offs, net (for the period ended)	**27**	20
Balance of loan loss provision	**722**	716

(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; 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.

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

	June 30						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	**222**	**5**	**227**	-	-	-	-	-	-
Transportation and storage	**941**	**758**	**1,699**	352	5	357	765	37	802
Hotels, hospitality and food services*	**1,009**	**67**	**1,076**	628	17	645	557	122	679
Construction and real estate*	**232**	**218**	**450**	710	315	1,025	107	380	487
Financial services and insurance services	**232**	-	**232**	322	11	333	244	101	345
Water supply, sewage services, waste and garbage treatment and purification services	**262**	-	**262**	273	-	273	265	-	265
Provision of power, gas, steam and air conditioning	-	**311**	**311**	3	428	431	2	299	301
Total	**2,898**	**1,359**	**4,257**	2,288	776	3,064	1,940	939	2,879

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

The outstanding exposure in the table above is after charge-offs.

* Of which NIS 81 million in credit for which a specific provision was recorded as at June 30, 2022.

* Of which NIS 9 million in credit for which a specific provision was recorded as at June 30, 2022.

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

From the end of 2021, there has been a step up with regard to the price increases in the developed countries with an emphasis on the United States and Europe. These price increases are a result of the consequences of the coronavirus crisis relating to the supply chains and the flow of substantial funds from the various central banks, both as a result of the effects of the war in Ukraine, including on energy prices, and as a result of other effects related to the demand side in the context of wage increases in the labor market.

The increase in the inflation rate and in the inflation, forecasts has led the central banks to start relatively quick moves of interest rate increases, and starting from the first quarter of 2022 and even more during the second quarter, the FED, the Bank of Israel and other central banks have started a move to increase interest. Accordingly, during the second quarter the increase in the interest curves continued, which reflect, among other things, the future forecast for the central banks' interest rates.

Alongside the interest rate increases, and in view of concerns of a global recession, the prices of financial assets have also continued to decline in the second quarter of 2022. In that way, the price drops continued in the leading stock indices and the trend of opening marketable credit margins continued.

The increases recorded, for the second consecutive quarter, in the NIS and USD bond yields had a negative effect on the capital reserve, and on the other hand, it led to a sharp decrease in the value of the actuarial liabilities.

Starting from mid-June, 2022, decreases were recorded in the NIS and USD interest rate curves in view of growing fears of a recession that may affect the monetary policy of the central banks.

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, the Group's product and risk foci, 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 second quarter of 2022 led to a decrease in the value of the employee pension liability. This is due to the sharp decrease recorded in the first quarter of 2022. It should be noted that the aforementioned positive effect on pension liabilities is recorded to regulatory capital over eight quarters.

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 June 30, 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, 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 discontinued. 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 June 30, 2022, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR:*

	June 30, 2022
	In NIS million
Loans	4,020
Securities	3,396
Derivatives (gross) - par value	76,774

* 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

	June 30, 2022		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	**36,315**	**(7,261)**	**29,054**
Of which: banking portfolio	**36,568**	**(6,670)**	**29,898**

	June 30, 2021		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	27,453	(1,269)	26,184
Of which: banking portfolio	27,015	(2,338)	24,677

	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

	June 30, 2022		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	**(608)**	**(342)**	**(950)**
Of which: banking portfolio	**(469)**	**(374)**	**(843)**
Simultaneous decrease of 1 percent	**(179)**	**298**	**119**
Of which: banking portfolio	**(330)**	**331**	**1**
Non-simultaneous changes			
Steepening[b]	**(156)**	**(222)**	**(378)**
Flattening[c]	**9**	**(31)**	**(22)**
Short-term interest rate increase	**(95)**	**(265)**	**(360)**
Short-term interest rate decrease	**115**	**288**	**403**

	June 30, 2021		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	315	(256)	59
Of which: banking portfolio	318	(258)	60
Simultaneous decrease of 1 percent	(698)	74	(624)
Of which: banking portfolio	(694)	16	(678)
Non-simultaneous changes			
Steepening[b]	(2)	(111)	(113)
Flattening[c]	(77)	(155)	(232)
Short-term interest rate increase	152	(269)	(117)
Short-term interest rate decrease	(165)	291	126

	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.

* 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

	June 30, 2022		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	**978**	**(75)**	**903**
Of which: banking portfolio	**978**	**27**	**1,005**
Simultaneous decrease of 1 percent	**(1,649)**	**87**	**(1,562)**
Of which: banking portfolio	**(1,649)**	**(27)**	**(1,676)**

	June 30, 2021		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	905	258	1,163
Of which: banking portfolio	905	259	1,164
Simultaneous decrease of 1 percent	(1,322)	(206)	(1,528)
Of which: banking portfolio	(1,323)	(259)	(1,582)

	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)

* After netting effects.

Foreign exchange rate risk

During the second 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, and the requirements of Proper Conduct of Banking Business Directive No. 222, Net Stable Funding Ratio, which adopt the recommendations of the Basel III Committee, 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. Proper Conduct of Banking Business Directive No. 222, Net Stable Funding Ratio, determined that the Bank must maintain a stable funding profile according to its asset composition and its off-balance sheet operations.

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.

On June 1, 2022, the Banking Supervision Department published final versions of the amended Proper Conduct of Banking Business Directive No. 221 (Liquidity Coverage Ratio - LCR) and 222 (Net Stable Funding Ratio - NSFR) and updates to Q&A files for these directives. The date of application of the changes to the measurement of liquidity ratios LCR and NSFR is from January 1, 2023. On June 27, 2022, a draft update was published for the Proper Conduct of Banking Business Directive (221) regarding the liquidity coverage ratio and for the question and answer regarding the recognition of operational deposits in relation to the liquidity coverage. The Bank is studying the effects of the revisions and preparing for their application.

During the second quarter of 2022, there was no material change in the average liquidity coverage ratio compared to the first quarter of 2022.

Liquidity coverage ratio

	For the three months ended		
	June 30		December 31
	2022	2021	2021
	In %		
a. Consolidated data			
Liquidity coverage ratio	**122**	129	124
Minimum liquidity coverage ratio required by the Banking Supervision Department[(a)]	**100**	100	100
b. Banking corporation's data			
Liquidity coverage ratio	**119**	127	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

	As of June 30	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	**125**	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 separate 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 second 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

The increase in cyber-attacks on financial organizations in Israel and around the world, as well as on entities in their supply chains continues. The characteristics of the attacks are varied and include ransomware attacks, 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 second 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. The Bank follows its New Product Policy, which outlines the risk management processes involved in introducing new products, including new technological initiatives and innovation.

Leumi is implementing a business-technological (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 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. 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 effected 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. 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. For the main strategic environmental and climate indicators, please see the Environmental, Social and Governance (ESG) indices - Report of the Board of Directors and Management as of December 31, 2021.

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 and the Annual Risk Management Report 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 of 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 of 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 section entitled Risk Review in the Report of the Board of Directors and Management as of 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 is still a 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 possible 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. Until now, this crisis has led many economies across the world to increase their sovereign debts. In addition, numerous central banks are tightening the amount of the substantial monetary expansion, while raising interest rates and taking various quantitative reduction measures. These developments continue to pose a risk to financial markets’ stability. The tightening of financial conditions, along with the economic effects of the Russia-Ukraine war, has already resulted in a considerable reduction in economic growth forecasts for 2022-2023 by large international entities, such as the OECD.

The Ukraine-Russia crisis and the possibility of the development of additional crises add to 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. Besides the coronavirus risks, the effects of the war in Ukraine and the monetary reduction risks, there are risks stemming from climate change.

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 Financial Statements as of December 31, 2021, with the exception of the subject of Current Expected Credit Losses (CECL) and additional related directives on the subject published by the Banking Supervision Department, which are implemented by the Bank starting 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 additional information, please see the section entitled Critical Accounting Policies and Estimates in the financial statements as at December 31, 2021.

Collective Loan Loss Provision and Classification of Troubled Debts

As of January 1, 2022, the Bank is implementing the directives of the Banking Supervision Department 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. 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 updated 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 adequate for covering the 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 two tracks: a collective provision and an individual provision. For information, please 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.

In general, a commercial debt whose contractual balance is NIS 1 million or more is examined individually by the authorized parties in the Bank regarding their classification as troubled debts, including the recording of a charge-off if relevant. Other customers of the Bank, are generally examined for the purpose of classification based on the state of arrears and under certain negative criteria, they are automatically flagged.

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, liability adequacy testing is performed 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 additional information regarding the first-time application of the directives of the Banking Supervision Department on Current Expected Credit Losses (CECL), please 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 additional information regarding the first-time application of the directives of the Banking Supervision Department on Current Expected Credit Losses (CECL), please see Note 1.B.1.

Liabilities for Employee Benefits

As at June 30, 2022, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 1,108 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 of June 30, 2022, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is NIS 243 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 additional information, please see the section entitled Critical Accounting Policies and Estimates in the financial statements as at December 31, 2021.

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 system of internal 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 June 30, 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 June 2022, Leumi's Board of Directors held 19 plenum meetings and its committees held 28 meetings.

At a Board meeting held on August 15, 2022, the Board resolved to approve and publish the Group's unaudited condensed consolidated financial statements as at June 30, 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

August 15, 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 June 30, 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.

August 15, 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 June 30, 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.

August 15, 2022

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

Deloitte. KPMG

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

Introduction

We have reviewed the accompanying financial information of Bank Leumi le-Israel B.M. and its subsidiaries (hereinafter: the “Bank"), comprising of the condensed consolidated interim balance sheet as at June 30, 2022 and the related condensed consolidated interim statement of income, comprehensive income, changes in equity and cash flow for the six-month and three-month periods 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 generally accepted accounting principles in Israel (Israeli GAAP) for interim accounting and in accordance with the directives and guidelines of the Supervisor of Banks. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Review Engagements (Israel) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Institute of Certified Public Accountants in Israel, 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 making inquiries, primarliy of persons responsible for financial and accounting matters, and of applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, 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 was not prepared, in all material respects, in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim accounting and in accordance with the directives and guidelines of the Supervisor of Banks.

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
Certified Public Accountants

Joint Independent Auditors

August 15, 2022

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Income Statement
For the period ended June 30, 2022

	Note	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
		2022	2021	2022	2021	2021
		Unaudited				Audited
		In NIS million				
Interest income	2	4,026	3,226	7,387	5,838	11,672
Interest expenses	2	901	452	1,363	716	1,326
Interest income, net	2	3,125	2,774	6,024	5,122	10,346
Loan loss expenses (income)	6, 13	126	(158)	86	(370)	(812)
Interest income, net after loan loss expenses (income)		2,999	2,932	5,938	5,492	11,158
Noninterest income						
Noninterest finance income	3A	688	627	702	1,068	1,714
Fees and commissions		872	853	1,802	1,721	3,506
Other (expenses) income		(3)	52	3	117	291
Total noninterest income		1,557	1,532	2,507	2,906	5,511
Operating and other expenses						
Salaries and related expenses		961	1,055	1,966	2,133	4,242
Buildings and equipment - maintenance and depreciation		315	383[(a)]	679	764	1,535
Other Expenses		365	420[(a)]	790	800	1,651
Total operating and other expenses		1,641	1,858	3,435	3,697	7,428
Net income before taxes		2,915	2,606	5,010	4,701	9,241
Provision for profit tax		1,007	950	1,490	1,703	3,275
Profit after taxes		1,908	1,656	3,520	2,998	5,966
The Bank's share in profits of associates, after tax		84	22	91	29	101
Net income						
Before attribution to non-controlling interests		1,992	1,678	3,611	3,027	6,067
Attributable to non-controlling interests		-	11	10	20	39
Attributable to the Bank's shareholders		1,992	1,667	3,601	3,007	6,028
Basic and diluted earnings per share (in NIS)						
Diluted basic earnings attributable to the Bank's shareholders	3B	1.36	1.15	2.47	2.07	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: August 15, 2022

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Comprehensive Income
For the period ended June 30, 2022

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Net income before attribution to non-controlling interests	**1,992**	1,678	**3,611**	3,027	6,067
Less net income attributable to non-controlling interests	**-**	11	**10**	20	39
Net income attributable to the Bank's shareholders	**1,992**	1,667	**3,601**	3,007	6,028
Other comprehensive income (loss), before taxes					
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(1,202)**	18	**(3,208)**	(492)	(438)
Adjustments from translation of financial statements, net[(a)] after hedging effect[(b)]	**421**	(15)	**436**	11	(24)
Net gains (losses) for cash flow hedges	**71**	15	**(3)**	(21)	(40)
Adjustments of liabilities for employee benefits[(c)]	**1,139**	105	**3,573**	749	392
The Bank's share in other comprehensive income (loss) of associates	**11**	(2)	**4**	(8)	(11)
Other comprehensive income (loss), before taxes	**440**	121	**802**	239	(121)
Related tax effect	**(102)**	(62)	**(204)**	(70)	4
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**338**	59	**598**	169	(117)
Less other comprehensive income (loss) attributable to non-controlling interests	**117**	(4)	**96**	(8)	(32)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**221**	63	**502**	177	(85)
Comprehensive income before attribution to non-controlling interests	**2,330**	1,737	**4,209**	3,196	5,950
Less comprehensive income attributable to non-controlling interests	**117**	7	**106**	12	7
Comprehensive income attributable to the Bank's shareholders	**2,213**	1,730	**4,103**	3,184	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 June 30, 2022

	Note	June 30		December 31
		2022	2021	2021
		Unaudited		Audited
		In NIS million		
Assets				
Cash and deposits with banks		**171,948**	160,946	197,402
Securities:				
Held-to-maturity bonds		**14,030**	8,435	8,031
Available-for-sale bonds		**66,074**	75,560	71,430
Equity securities not held for trading		**4,385**	4,819	4,344
Held-for-trading securities		**2,679**	2,660	3,122
Total securities(a)(b)	5	**87,168**	91,474	86,927
Securities borrowed or purchased under reverse repurchase agreements		**2,006**	5,721	2,447
Loans to the public	6, 13	**369,811**	320,300	347,391
Loan loss provision	6, 13	**(4,887)**	(5,067)	(4,512)
Loans to the public, net		**364,924**	315,233	342,879
Loans to governments		**1,314**	945	940
Investments in associates		**4,438**	854	1,113
Buildings and equipment		**2,678**	2,763	2,720
Goodwill		**-**	15	14
Assets in respect of derivatives	11	**26,972**	11,216	14,027
Other assets(a)		**6,232**	8,255	7,985
Total assets		**667,680**	597,422	656,454
Liabilities and equity				
Deposits by the public	7	**532,737**	487,082	537,269
Deposits by banks		**23,701**	22,140	25,370
Deposits by governments		**332**	219	300
Securities loaned or sold under repurchase agreements		**2,862**	814	2,282
Bonds, promissory notes and subordinated bonds		**23,678**	13,199	15,428
Liabilities for derivatives	11	**23,954**	11,555	15,551
Other liabilities(a)(c)		**13,351**	21,121	18,202
Total liabilities		**620,615**	556,130	614,402
Shareholders' equity	9	**47,060**	40,848	41,610
Non-controlling interests		**5**	444	442
Total equity		**47,065**	41,292	42,052
Total liabilities and equity		**667,680**	597,422	656,454

(a) For more information regarding amounts measured at fair value, please see Note 15A.
(b) Of which: securities totaling NIS 16,516 million (June 30, 2021 - 17,989 million, December 31, 2021 - NIS 21,206 million) pledged to lenders.
(c) Of which: a provision for loan losses for off-balance-sheet credit instruments, NIS 486 million (as at June 30, 2021 - NIS 412 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 June 30, 2022

	For the three months ended June 30, 2022 (unaudited)		
		Capital reserves	
	Share capital	Premium	Stock compensation and other transactions[a]
	In NIS million		
Balance as at March 31, 2022	7,041	184	53
Net income for the period	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Dividend paid	-	-	-
Issuance of shares	91	2,645	-
Sale of equity of a consolidated company to non-controlling interests	-	-	-
Balance as at June 30, 2022	**7,132**	**2,829**	**53**

	For the three months ended June 30, 2021 (unaudited)		
		Capital reserves	
	Share capital	Premium	Stock compensation and other transactions[a]
	In NIS million		
Balance as at March 31, 2021	7,041	184	53
Net income for the period	-	-	-
Other comprehensive income (loss), net of tax effect	-	-	-
Balance as at June 30, 2021	7,041	184	53

(a) Including NIS 10 million in other capital reserves.

(b) Including NIS 4,233 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (June 30, 2021 - NIS 5,295 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.

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	(2,596)	37,751	42,433	428	42,861
-	-	1,992	1,992	-	1,992
-	(224)	-	(224)	-	(224)
-	-	(322)	(322)	-	(322)
2,736	-	-	2,736	-	2,736
-	445	-	445	(423)	22
10,014	(2,375)	39,421	47,060	5	47,065

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
7,278	(2,678)	34,518	39,118	437	39,555
-	-	1,667	1,667	11	1,678
-	63	-	63	(4)	59
7,278	(2,615)	36,185	40,848	444	41,292

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended June 30, 2022

	For the six months ended June 30, 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 (loss), net of tax effect	-	-	-
Dividend paid	-	-	
Issuance of shares	91	2,645	-
Employee benefit for stock-based compensation transactions	-	-	-
Sale of equity of a consolidated company to non-controlling interests	-	-	-
Balance as at June 30, 2022	7,132	2,829	53

	For the six months ended June 30, 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 June 30, 2021	7,041	184	53

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 4,233 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (June 30, 2021 - NIS 5,295 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)
-	-	3,601	3,601	10	3,611
-	57	-	57	(21)	36
-	-	(910)	(910)	-	(910)
2,736	-	-	2,736	-	2,736
-	-	-	-	1	1
-	445	-	445	(423)	22
10,014	(2,375)	39,421	47,060	5	47,065

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
-	-	3,007	3,007	20	3,027
-	177	-	177	(8)	169
-	-	-	-	1	1
7,278	(2,615)	36,185	40,848	444	41,292

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended June 30, 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 June 30, 2022

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Cash flows from operating activities					
Net income for the period	**1,992**	1,678	**3,611**	3,027	6,067
Adjustments:					
Group's share in undistributed losses (income) of associates[(a)]	**(67)**	10	**(56)**	9	114
Depreciation of buildings and equipment (including impairment)	**137**	174	**299**	345	694
Loan loss expenses (income)	**126**	(158)	**86**	(370)	(812)
Gains on sale of loan portfolios	**-**	-	**(15)**	-	-
Net losses (gains) on sale of available-for-sale bonds	**49**	(52)	**56**	(117)	(231)
Net realized and unrealized losses from fair value adjustments of held-for-trading securities	**44**	1	**100**	8	19
Gain on sale of investees' equity	**(752)**	-	**(830)**	-	-
Gains on disposal of buildings and equipment - net	**-**	(16)	**-**	(51)	(119)
Realized and unrealized gains, net from fair value adjustments of equity securities not held-for-trading	**(151)**	(443)	**(161)**	(628)	(881)
Provision for impairment of available-for-sale bonds	**27**	-	**27**	-	-
Provision for impairment of equity securities not held-for-trading	**-**	-	**-**	-	66
Deferred taxes - net	**86**	152	**(196)**	318	422
Severance pay and pension – increase in excess of provision over fund	**90**	(14)	**231**	70	225
Excess of interest received over interest accrued during the period for available-for-sale bonds and held-to-maturity bonds over interest	**(70)**	(49)	**129**	253	379
Accrual differences and rate in respect of bonds and subordinated bonds	**540**	92	**639**	(8)	(41)
Effect of exchange rate differentials on cash and cash equivalent balances	**(1,138)**	9	**(1,336)**	(222)	557
Other, net	**(3)**	2	**(7)**	2	(4)
Net change in current assets:					
Assets in respect of derivatives	**(6,972)**	1,842	**(13,025)**	4,039	1,224
Held-for-trading securities	**(413)**	5	**343**	1,365	892
Other assets	**229**	235	**(563)**	89	442
Net change in current liabilities:					
Liabilities for derivatives	**3,872**	(1,837)	**9,089**	(5,556)	(1,516)
Other liabilities	**(1,092)**	(473)	**714**	1,304	(2,299)
Net cash provided for operating activities	**(3,466)**	1,158	**(865)**	3,877	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 June 30, 2022

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	In NIS million				
Cash flows from investing activities					
Net change in deposits with banks with original maturities of more than three months	**(3,955)**	1,075	**(2,404)**	1,059	292
Net change in loans to the public[(a)]	**(15,621)**	(7,892)	**(41,543)**	(19,316)	(47,480)
Net change in loans to the Israeli Government	**(161)**	(196)	**(374)**	(313)	(308)
Net change in securities borrowed or purchased under reverse repurchase agreements	**876**	(1,091)	**436**	(2,702)	572
Purchase of held-to-maturity bonds	**(4,434)**	(357)	**(7,988)**	(1,519)	(1,510)
Proceeds from redemption of held-to-maturity bonds	**144**	385	**281**	806	1,130
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(19,822)**	(31,493)	**(76,270)**	(51,784)	(106,548)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**20,064**	24,096	**61,154**	43,723	86,553
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	**10,298**	4,108	**13,467**	8,099	24,626
Purchase of associates' equity	**(15)**	(76)	**(26)**	(76)	(442)
Cash derecognized from disposal of investments in a deconsolidated subsidiary (Appendix B)	**(904)**	-	**(904)**	-	-
Proceeds from disposal of investment in associates	**-**	-	**158**	-	-
Proceeds from sale of loan portfolios	**-**	-	**437**	-	217
Purchase of buildings and equipment	**(175)**	(128)	**(356)**	(203)	(543)
Proceeds from disposal of buildings and equipment	**-**	36	**1**	81	179
Central severance pay fund	**23**	1	**25**	2	(9)
Net cash for investing activities	**(13,682)**	(11,532)	**(53,906)**	(22,143)	(43,271)
Cash flow from financing activities					
Net change in deposits by banks with original maturities of more than three months	**(2,951)**	4,967	**(1,754)**	6,993	10,232
Net change in deposits by the public	**15,780**	27,230	**17,229**	39,782	91,073
Net change in deposits by the government	**16**	(8)	**32**	11	92
Net change in securities loaned or sold under repurchase agreements	**807**	285	**575**	205	1,673
Proceeds from issue of bonds and subordinated bonds	**1,729**	-	**7,670**	-	2,262
Redemption of bonds and subordinated bonds	**(50)**	(1)	**(59)**	(3,096)	(3,096)
Dividend paid to shareholders	**(322)**	-	**(910)**	-	(1,997)
Issuance of shares	**2,736**	-	**2,736**	-	-
Net cash from financing activities	**17,745**	32,473	**25,519**	43,895	100,239
(Decrease) increase in cash and cash equivalents	**597**	22,099	**(29,252)**	25,629	62,166
Net of change in cash and cash equivalents classified as held-for-sale assets and liabilities	**(1,210)**	-	**-**	-	-
(Decrease) increase in cash and cash equivalents	**1,807**	22,099	**(29,252)**	25,629	62,166
Balance of cash and cash equivalents as at the beginning of the period	**163,364**	136,377	**194,225**	132,616	132,616
Effect of exchange rate fluctuations on cash and cash equivalent balances	**1,138**	(9)	**1,336**	222	(557)
Balance of cash and cash equivalents as at end of period	**166,309**	158,467	**166,309**	158,467	194,225

(a) Including operating activities from invoice 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 June 30, 2022

Interest and taxes paid and/or received and dividends received

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Interest received	**3,154**	2,609	**5,901**	5,356	10,806
Interest paid	**(187)**	(296)	**(710)**	(819)	(1,414)
Dividends received	**29**	37	**42**	50	243
Income tax paid	**(572)**	(791)	**(1,401)**	(1,620)	(3,043)
Income tax received	**121**	7	**199**	85	88

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

For the six months ended June 30, 2022 and June 30, 2021 and for the year ended December 31, 2021

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 was completed and, part of the consideration - NIS 3,047 million in Valley shares - was received.

For more information, please see Note 16.A.

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.

Appendix B - Proceeds from Disposal of Investments in a Previously-Consolidated Subsidiary:[(a)]

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Derecognized cash	**1,210**	-	**1,210**	-	-
Assets (excluding cash)	**24,855**	-	**24,855**	-	-
Liabilities	**(23,378)**	-	**(23,378)**	-	-
Identified assets and liabilities	**2,687**	-	**2,687**	-	-
Assets and liabilities attributable to non-controlling interests	**(423)**	-	**(423)**	-	-
Derecognized assets and liabilities	**2,264**	-	**2,264**	-	-
Capital gain on disposal of investment in previously-consolidated subsidiaries	**1,089**	-	**1,089**	-	-
Total proceeds on disposal of previously-consolidated subsidiaries	**3,353**	-	**3,353**	-	-
Less non-cash proceeds from disposal of investments in previously-consolidated investees	**3,047**	-	**3,047**	-	-
Cash proceeds	**306**	-	**306**	-	-
Less derecognized cash	**1,210**	-	**1,210**	-	-
Inflows from disposal of investments in previously consolidated subsidiaries	**(904)**	-	**(904)**	-	-

(a) For more information, please see Note 16.A.

(b) Including goodwill totaling NIS 14 million.

(c) Gain following elimination of capital reserves and taxes totaling NIS 752 million.

List of Notes

Note 1 - Significant Accounting Policies

A. Basis of Financial Reporting

1. Reporting principles

The condensed consolidated interim financial statements as of June 30, 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").

The condensed consolidated interim financial statements were approved by the Bank's Board of Directors on August 15, 2022.

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 financial statements as at December 31, 2021.

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.

Note 1 - Significant Accounting Policies (cont.)

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.

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 the Bank's capital ratios (CET1 and total capital) as at the transition date. For additional details regarding effects on the capital ratios for June 30, 2022, 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 provision 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.

Note 1 - Significant Accounting Policies (cont.)

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

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

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.

Note 1 - Significant Accounting Policies (cont.)

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 book value 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.

Note 1 - Significant Accounting Policies (cont.)

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
- 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, such as collateral and guarantors. 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.

Note 1 - Significant Accounting Policies (cont.)

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 principal 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;

Note 1 - Significant Accounting Policies (cont.)

- 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.

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.

Note 1 - Significant Accounting Policies (cont.)

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.

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.

Note 1 - Significant Accounting Policies (cont.)

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.
- 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 ratios will be made by way of a linear calculation, 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.

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 transitioned to the new base rates for each of the relevant currencies, 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. in 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 June 30, 2022, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR*:

	June 30, 2022
	In NIS million
Loans	4,020
Securities	3,396
Derivatives (gross) - nominal value	76,774

* LIBOR transactions in USD that will continue 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 requirement of gross write-offs, by credit granting year.

Note 1 - Significant Accounting Policies (cont.)

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.

4. ASU 2022-03 regarding the fair value measurement of equity securities that are restricted for trading

On June 29, 2022, the US Financial Accounting Standards Board (hereinafter - the "FASB") published ASU 2022-03 regarding the fair value measurement of equity securities that are restricted for trading (hereinafter - the "ASU").

The ASU clarifies that contractual restriction of trading in a capital security constitutes a specific restriction for the entity and is not part of the security's accounting unit of measure and therefore will not be taken into account in the fair value measurement. In addition, the ASU emphasizes that it is not possible to recognize and measure the contractual restriction on trading separately.

Moreover, the ASU contains new disclosure requirements for entities holding contractually restricted securities, including disclosure regarding the securities' fair value, the nature and remaining period of the restriction and the circumstances that may result in cancelation of the restriction.

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, 2023 or on early adoption, if the entity opted for early adoption of the ASU. Entities that are not investment entities, upon the first-time application, are required to apply this ASU prospectively. Adjustments resulting from the application will be recognized in the income statement and disclosure will be provided regarding their amount on the date of application.

Note 2 - Interest Income and Expenses

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	**2022**	2021
	Unaudited			
	In NIS million			
a. Interest income[a]				
From loans to the public	**3,528**	2,904	**6,551**	5,252
From loans to the Israeli Government	**12**	8	**21**	12
From deposits with the Bank of Israel and from cash	**144**	28	**179**	54
From deposits with banks	**28**	15	**43**	32
From securities borrowed or purchased under reverse repurchase agreements	**4**	2	**5**	3
From bonds[b]	**310**	269	**588**	485
Total interest income	**4,026**	3,226	**7,387**	5,838
b. Interest expenses				
For deposits by the public	**(547)**	(278)	**(811)**	(453)
For deposits by the Israeli government	**(1)**	-	**(1)**	(1)
For deposits by banks	**(2)**	(1)	**(4)**	(2)
For deposits by the Bank of Israel	**(2)**	(3)	**(5)**	(5)
For securities loaned or sold under repurchase agreements	**(9)**	(1)	**(11)**	(1)
For bonds, promissory notes and subordinated bonds	**(340)**	(169)	**(531)**	(254)
Total interest expenses	**(901)**	(452)	**(1,363)**	(716)
Total interest income, net	**3,125**	2,774	**6,024**	5,122
c. Details of the net effect of derivative hedges on interest income and expenses[c]				
Interest expenses	**(14)**	(12)	**(31)**	(24)
d. Details on interest income from bonds, on accrual basis				
Held-to-maturity	**60**	42	**101**	82
Available-for-sale	**227**	213	**452**	385
Held-for-trading	**23**	14	**35**	18
Total included in interest income	**310**	269	**588**	485

(a) Including the effect of hedge relationships.

(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 57 million and NIS 113 million for the three- and six-month periods ended June 30, 2022 (NIS 54 million and NIS 111 million for the three- and six-month periods ended June 30, 2021).

(c) Additional information about the effect of hedging derivatives on subsection a.

Note 3A - Noninterest Finance Income

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	**2022**	2021
	Unaudited			
	In NIS million			
a. Noninterest finance income for non-trading activities				
A.1. From derivative activities[a]				
Net income (expenses) in respect of ALM derivatives[b]	**5,201**	(584)	**6,445**	509
Total from derivatives activity	**5,201**	(584)	**6,445**	509
A.2. From investment in bonds				
Gains on sale of available-for-sale bonds[g]	**12**	63	**34**	137
Losses on sale of available-for-sale bonds[g]	**(61)**	(11)	**(90)**	(20)
Provision for impairment of available-for-sale bonds	**(27)**	-	**(27)**	-
Total from investment in bonds	**(76)**	52	**(83)**	117
A.3. Exchange rate differentials, net	**(5,198)**	694	**(6,497)**	(298)
A.4. Gains (losses) on investment in equity securities				
Gains on sale of equity securities not held for trading	**54**	191	**145**	299
Losses on sale of equity securities not held-for-trading	**-**	(6)	**(38)**	(20)
Dividend from not held-for-trading equity securities	**15**	5	**20**	12
Unrealized gains, net from equity securities not held for trading[e]	**97**	258	**54**	349
Gain on sale of investees' equity	**752**	-	**830**	-
Total from investment in equity securities	**918**	448	**1,011**	640
A.5. Gains on sold loans, net	**-**	-	**15**	-
Total noninterest finance income for equity securities not held-for-trading	**845**	610	**891**	968
b. Noninterest finance income (expenses) for trading activities				
Net income (expenses) for held-for-trading derivatives	**(113)**	18	**(89)**	108
Realized and unrealized losses from fair value adjustments of held-for-trading bonds, net[c][f]	**(44)**	-	**(102)**	(8)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading equity securities, net[d][f]	**-**	(1)	**2**	-
Total from trading activities[e]	**(157)**	17	**(189)**	100
Details of noninterest finance income from trading activities, by risk exposure				
Interest rate exposure	**(176)**	13	**(267)**	47
Foreign exchange exposure	**(9)**	(8)	**48**	30
Equity exposure	**27**	9	**29**	18
Exposure to commodities and other contracts	**1**	3	**1**	5
Total	**(157)**	17	**(189)**	100
Total noninterest finance income	**688**	627	**702**	1,068

Please see comments below.

Note 3A - Noninterest Finance Income (cont.)

(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 the losses in the amount of NIS 50 million and NIS 76 million for the three- and six-month periods ended June 30, 2022 in respect of held-for-trading bonds held as of the balance sheet date (gains of NIS 2 million and NIS 6 million, respectively, for the three- and six-month periods ended June 30, 2021).
(d) Losses in the amount of NIS 2 million, in respect of held-for-trading equity securities that are still held as of the balance sheet date in the three- and six-month periods ended June 30, 2022 (There were no gains in respect of held-for-trading shares still held as of the balance sheet date in the three- and six-months ended on June 30, 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

A. Basic Earnings Per 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 June 30		For the six months ended June 30	
	2022	2021	**2022**	2021
	Unaudited			
Basic earnings				
Net income attributable to the Bank's shareholders (in NIS million)	**1,992**	1,667	**3,601**	3,007
Weighted average of the number of shares (in thousands of shares)				
Balance as at beginning of period (a)	**1,452,896**	1,452,896	**1,452,896**	1,452,896
Weighted effect of the issuance of shares	**6,993**	-	**3,516**	-
Weighted average of number of shares	**1,459,889**	1,452,896	**1,456,412**	1,452,896
Basic earnings per share (in NIS)	**1.36**	1.15	**2.47**	2.07

(a) Balance at the beginning of the period less share buyback until December 31, 2020, and 2021.

B. Diluted Earnings Per Share

The calculated diluted earnings per share is divided by the weighted average of the number of the Bank's outstanding ordinary shares, after adjustment for all the potentially dilutive ordinary shares, as follows:

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	**2022**	2021
	Unaudited			
Diluted earnings				
Net income attributable to the Bank's shareholders (in NIS million)	**1,992**	1,667	**3,601**	3,007
Weighted average of the number of shares (in thousands of shares)				
Weighted average of the number of ordinary shares used to calculate basic earnings per share	**1,459,889**	1,452,896	**1,456,412**	1,452,896
Weighted average of the number of shares, fully diluted	**1,459,889**	1,452,896	**1,456,412**	1,452,896
Diluted earnings per share (in NIS)	**1.36**	1.15	**2.47**	2.07

Note 3B - Earnings per Ordinary Share (cont.)

C. Share capital

As of June 30, 2022, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,453,805,097 ordinary shares of NIS 1 p.v. each. (as of June 30, 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 June 30, 2022 and 2021 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjustments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other comprehensive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits[c]	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	In NIS million							
Balance as at March 31, 2021	827	(244)	2	(21)	(3,310)	(2,746)	(68)	(2,678)
Net change during the period	12	(31)	10	(2)	70	59	(4)	63
Balance as at June 30, 2021	839	(275)	12	(23)	(3,240)	(2,687)	(72)	(2,615)
Balance as at March 31, 2022	(454)	(313)	(49)	(32)	(1,865)	(2,713)	(117)	(2,596)
Net change during the period	**(967)**	**-**	**6**	**7**	**730**	**(224)**	**-**	**(224)**
Sale of equity in subsidiaries to non-controlling interests	**181**	**313**	**41**	**-**	**27**	**562**	**117**	**445**
Balance as at June 30, 2022	**(1,240)**	**-**	**(2)**	**(25)**	**(1,108)**	**(2,375)**	**-**	**(2,375)**

Note 4 - Accumulated Other Comprehensive Income (Loss) (Cont.)

A. Changes in Accumulated Other Comprehensive Income (Loss) After Tax Effect (cont.)

2. Changes in accumulated other comprehensive income (loss) for the six-month period ended June 30, 2022 and 2021 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjustments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other comprehensive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits[c]	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	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	(324)	20	(14)	(7)	494	169	(8)	177
Balance as at June 30, 2021	839	(275)	12	(23)	(3,240)	(2,687)	(72)	(2,615)
Balance as at December 31, 2021 (audited)	874	(343)	-	(26)	(3,478)	(2,973)	(96)	(2,877)
Net change during the period	**(2,295)**	**30**	**(43)**	**1**	**2,343**	**36**	**(21)**	**57**
Sale of equity in subsidiaries to non-controlling interests	**181**	**313**	**41**	**-**	**27**	**562**	**117**	**445**
Balance as at June 30, 2022	**(1,240)**	**-**	**(2)**	**(25)**	**(1,108)**	**(2,375)**	**-**	**(2,375)**

Please see comments below.

Note 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

A. Changes in Accumulated Other Comprehensive Income (Loss) after Tax Effect (cont.)

3. 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							
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjustments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other comprehensive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits[c]	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	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.

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 June 30 (unaudited)					
	2022			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 in respect of presentation of available-for-sale bonds at fair value:						
Net unrealized gains (loss) from fair value adjustments	(1,554)	537	(1,017)	70	(24)	46
(Losses) gains in respect of available-for-sale bonds reclassified to the income statement[(a)]	76	(26)	50	(52)	18	(34)
Sale of equity in subsidiaries to non-controlling interests	276	(95)	181	-	-	-
Net change during the period	(1,202)	416	(786)	18	(6)	12
Translation adjustments:[(b)]						
Adjustments from translation of financial statements	-	-	-	(62)	-	(62)
Hedges[(c)]	-	-	-	47	(16)	31
Sale of equity of a consolidated company to non-controlling interests - hedge effect	421	(108)	313	-	-	-
Net change during the period	421	(108)	313	(15)	(16)	(31)
Cash flow hedges						
Net gains for cash flow hedges	9	(3)	6	15	(5)	10
Sale of equity in subsidiaries to non-controlling interests	62	(21)	41	-	-	-
Net change during the period	71	(24)	47	15	(5)	10
Investee companies accounted for using the equity method						
The Bank's share in other comprehensive income (loss) of investees, equity-accounted	257	(88)	169	(2)	-	(2)
Hedges[(c)]	(246)	84	(162)	-	-	-
Net change during the period	11	(4)	7	(2)	-	(2)
Employee benefits[(d)]:						
Net actuarial gain (loss)	1,032	(348)	684	(13)	5	(8)
Net losses reclassified to the income statement[(e)]	69	(23)	46	118	(40)	78
Sale of equity in subsidiaries to non-controlling interests	38	(11)	27	-	-	-
Net change during the period	1,139	(382)	757	105	(35)	70
Total net change during the period	440	(102)	338	121	(62)	59
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	137	(20)	117	(1)	(3)	(4)
Changes in other comprehensive income attributable to the Bank's shareholders						
Total change during the period, net	303	(82)	221	122	(59)	63

(a) The before tax amount is reported in the income statement under the noninterest finance income item. Please see Note 3A.
(b) Adjustments from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(c) Net gains (losses) for hedging a net investment in foreign currency.
(d) 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 4 - Accumulated Other Comprehensive Income (Loss) (cont.)

B. Changes in Accumulated Other Comprehensive Income (Loss) Components, Before and After-Tax Effect (cont.)

	For the six months ended June 30 (unaudited)					
	2022			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 in respect of presentation of available-for-sale bonds at fair value:						
Unrealized losses, net, from fair value adjustments	(3,567)	1,217	(2,350)	(375)	128	(247)
Net losses (gains) in respect of available-for-sale bonds reclassified to the income statement[(a)]	83	(28)	55	(117)	40	(77)
Sale of equity in subsidiaries to non-controlling interests	276	(95)	181	-	-	-
Net change during the period	(3,208)	1,094	(2,114)	(492)	168	(324)
Translation adjustments:[(b)]						
Adjustments from translation of financial statements	59	-	59	37	-	37
Hedges[(c)]	(44)	15	(29)	(26)	9	(17)
Sale of equity in subsidiaries to non-controlling interests - Hedging effect	421	(108)	313	-	-	-
Net change during the period	436	(93)	343	11	9	20
Cash flow hedges						
Net losses for cash flow hedges	(65)	22	(43)	(21)	7	(14)
Sale of equity in subsidiaries to non-controlling interests	62	(21)	41	-	-	-
Net change during the period	(3)	1	(2)	(21)	7	(14)
Investee companies accounted for using the equity method						
The Bank's share in other comprehensive income (loss) of investees, equity-accounted	250	(87)	163	(8)	1	(7)
Hedges[(c)]	(246)	84	(162)	-	-	-
Net change during the period	4	(3)	1	(8)	1	(7)
Employee benefits[(d)]:						
Net actuarial gain	3,338	(1,125)	2,213	497	(169)	328
Net losses reclassified to the income statement[(e)]	197	(67)	130	252	(86)	166
Sale of equity in subsidiaries to non-controlling interests	38	(11)	27	-	-	-
Net change during the period	3,573	(1,203)	2,370	749	(255)	494
Total net change during the period	802	(204)	598	239	(70)	169
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	101	(5)	96	(15)	7	(8)
Changes in other comprehensive income attributable to the Bank's shareholders						
Total change during the period, net	701	(199)	502	254	(77)	177

(a) The before tax amount is reported in the income statement under the noninterest finance income item. Please see Note 3A.
(b) Adjustments from the translation of financial statements of foreign operations whose functional currency is different from 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 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 loss 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 the translation of financial statements of foreign operations whose functional currency is different from 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 June 30, 2022 (unaudited)					
	Balance sheet value	Amortized cost	Balance of loan loss provision[g]	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	9,501	9,501	15	-	(361)	9,155
Of foreign financial institutions	969	969	1	-	(16)	954
Asset-backed (ABS) or mortgage-backed (MBS)	3,243	3,243	1	-	(292)	2,952
Of other foreign entities	317	317	1	-	(6)	312
Total held-to-maturity bonds[e]	14,030	14,030	18	-	(675)	13,373

	As at June 30, 2022 (unaudited)					
				Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Balance of loan loss provision[g]	Gains	Losses	Fair value[a]
	In NIS million					
2. Available-for-sale bonds:						
Of the Israeli Government	26,246	27,233	-	278	(1,265)	26,246
Of foreign governments	15,579	15,823	-	1	(245)	15,579
Of Israeli financial institutions	49	49	-	1	(1)	49
Of foreign financial institutions	11,564	11,882	1	5	(324)	11,564
Asset-backed (ABS) or mortgage-backed (MBS)	6,912	7,389	-	6	(483)	6,912
Of other Israeli entities	626	651	-	10	(35)	626
Of other foreign entities	5,098	5,535	1	3	(441)	5,098
Total available-for-sale bonds[e]	66,074	68,562	2	304[c]	(2,794)[c]	66,074

Please see comments below.

Note 5 - Securities (cont.)

	As at June 30, 2022 (unaudited)					
	Balance sheet value	Cost	Balance of loan loss provision[g]	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	4,385	4,146	-	345	(106)	4,385
Of which: equity securities and mutual funds for which there is no available fair value[b]	2,033	2,033				2,033
Total not held for-trading equity securities and mutual funds	4,385	4,146	-	345[d]	(106)[d]	4,385
Total not held-for-trading securities	84,489	86,738	20	649	(3,575)	83,832

	As at June 30, 2022 (unaudited)					
	Balance sheet value	Amortized cost (in equity securities - cost)	Balance of loan loss provision[g]	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	1,785	1,790	-	7	(12)	1,785
Of foreign governments	-	-	-	-	-	-
Of Israeli financial institutions	495	527	-	-	(32)	495
Of foreign financial institutions	51	59	-	-	(8)	51
Asset-backed (ABS) or mortgage-backed (MBS)	38	41	-	-	(3)	38
Of other Israeli entities	221	241	-	-	(20)	221
Of other foreign entities	72	77	-	-	(5)	72
Total bonds	2,662	2,735	-	7	(80)	2,662
Equity securities and mutual funds	17	19	-	-	(2)	17
Total held-for-trading securities	2,679	2,754	-	7[d]	(82)[d]	2,679
Total securities	87,168	89,492	20	656	(3,657)	86,511

Please see comments below.

Note 5 - Securities (cont.)

	As of June 30, 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	4,095	4,095	400	(5)	4,490
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed (MBS)	2,525	2,525	25	(35)	2,515
Of other foreign entities	1,815	1,815	72	(42)	1,845
Total held-to-maturity bonds[e]	8,435	8,435	497	(82)	8,850

	As of June 30, 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	31,957	31,057	926	(26)	31,957
Of foreign governments	20,904	20,908	64	(68)	20,904
Of Israeli financial institutions	70	65	5	-	70
Of foreign financial institutions	9,274	9,065	212	(3)	9,274
Asset-backed (ABS) or mortgage-backed (MBS)	7,833	7,830	53	(50)	7,833
Of other Israeli entities	265	248	17	-	265
Of other foreign entities	5,257	5,045	235	(23)	5,257
Total available-for-sale bonds[e]	75,560	74,218	1,512[c]	(170)[c]	75,560

Please see comments below.

Note 5 - Securities (cont.)

	As at June 30, 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	4,819	4,280	572	(33)	4,819
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	1,788	1,788			1,788
Total not held for-trading equity securities and mutual funds	4,819	4,280	572[(d)]	(33)[(d)]	4,819
Total not held-for-trading securities	88,814	86,933	2,581	(285)	89,229

	As at June 30, 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	2,228	2,228	3	(3)	2,228
Of foreign governments	3	3	-	-	3
Of Israeli financial institutions	131	129	2	-	131
Of foreign financial institutions	81	77	4	-	81
Asset-backed (ABS) or mortgage-backed (MBS)	69	71	1	(3)	69
Of other Israeli entities	83	81	2	-	83
Of other foreign entities	41	39	2	-	41
Total bonds	2,636	2,628	14	(6)	2,636
Equity securities and mutual funds	24	23	1	-	24
Total held-for-trading securities	2,660	2,651	15[(d)]	(6)[(d)]	2,660
Total securities	91,474	89,584	2,596	(291)	91,889

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) An amount of NIS 14.5 billion out of total foreign currency securities are rated SSA (Super-nationals, Sovereign and Agencies) (June 30, 2021 - NIS 9.8 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) Balance of loan loss provision - for additional information, please see Note 1.B.1.

General comments:
Loaned securities in the amount of NIS 214 million (as of June 30, 2021 - NIS 36 million; as of December 31, 2021 - NIS 25 million) are presented under the loans to the public item.
Securities that were pledged totaled NIS 16,516 million (as of June 30, 2021 - NIS 17,989 million; as of 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

	June 30, 2022 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amor-tized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Amor-tized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	**9,334**	**332**	**-**	**-**	**332**	**182**	**23**	**6**	**-**	**29**
Asset-backed (ABS) or mortgage-backed (MBS)	**2,201**	**163**	**3**	**-**	**166**	**986**	**126**	**-**	**-**	**126**
Of foreign financial institutions	**970**	**16**	**-**	**-**	**16**	**-**	**-**	**-**	**-**	**-**
Of other foreign entities	**292**	**6**	**-**	**-**	**6**	**-**	**-**	**-**	**-**	**-**
Total held-to-maturity bonds	**12,797**	**517**	**3**	**-**	**520**	**1,168**	**149**	**6**	**-**	**155**

	June 30, 2021 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amor-tized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Amor-tized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	181	5	-	-	5	-	-	-	-	-
Mortgage-backed (MBS)	1,272	29	-	-	29	85	6	-	-	6
Of foreign financial institutions	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	956	42	-	-	42	-	-	-	-	-
Total held-to-maturity bonds	2,409	76	-	-	76	85	6	-	-	6

(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.

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	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	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

	June 30, 2022 (unaudited)									
	Less than 12 months[(a)]					12 months or more[(b)]				
		Unrealized losses[(f)]					Unrealized losses[(f)]			
	Fair value	0-20%[(c)]	20%-40%[(d)]	Over 40%[(e)]	Total	Fair value	0-20%[(c)]	20%-40%[(d)]	Over 40%[(e)]	Total
	In NIS million									
Bonds										
Of governments and financial institutions	43,733	1,343	296	-	1,639	1,980	164	32	-	196
Asset-backed (ABS) or mortgage-backed (MBS)	4,548	236	-	-	236	2,034	206	41	-	247
Of others	4,200	305	30	-	335	788	118	23	-	141
Total available-for-sale bonds	52,481	1,884	326	-	2,210	4,802	488	96	-	584

	June 30, 2021 (unaudited)									
	Less than 12 months[(a)]					12 months or more[(b)]				
		Unrealized losses[(f)]					Unrealized losses[(f)]			
	Fair value	0-20%[(c)]	20%-40%[(d)]	Over 40%[(e)]	Total	Fair value	0-20%[(c)]	20%-40%[(d)]	Over 40%[(e)]	Total
	In NIS million									
Bonds										
Of governments and financial institutions	9,145	97	-	-	97	-	-	-	-	-
Asset-backed (ABS) or mortgage-backed (MBS)	2,845	40	-	-	40	903	10	-	-	10
Of others	1,258	23	-	-	23	-	-	-	-	-
Total available-for-sale bonds	13,248	160	-	-	160	903	10	-	-	10

(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 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	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of governments and financial 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

	June 30, 2022 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments[a]	Fair value	Unrealized losses from fair value adjust-ments[a]	Fair value	Unrealized losses from fair value adjust-ments[a]
	In NIS million					
Mortgage-backed bonds (MBS)	**1,213**	**(121)**	**786**	**(112)**	**1,999**	**(233)**
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	**1,005**	**(34)**	**554**	**(110)**	**1,559**	**(144)**
Asset-backed bonds (ABS)	**2,330**	**(81)**	**694**	**(25)**	**3,024**	**(106)**
Total	**4,548**	**(236)**	**2,034**	**(247)**	**6,582**	**(483)**

	June 30, 2021 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments[a]	Fair value	Unrealized losses from fair value adjust-ments[a]	Fair value	Unrealized losses from fair value adjust-ments[a]
	In NIS million					
Mortgage-backed bonds (MBS)	1,693	(18)	32	(2)	1,725	(20)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	728	(20)	66	(1)	794	(21)
Asset-backed bonds (ABS)	424	(2)	805	(7)	1,229	(9)
Total	2,845	(40)	903	(10)	3,748	(50)

	December 31, 2021 (audited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments[a]	Fair value	Unrealized losses from fair value adjust-ments[a]	Fair value	Unrealized losses from fair value adjust-ments[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.

Note 5 - Securities (cont.)

More Information on Held-to-Maturity Mortgage-Backed Bonds

	June 30, 2022 (unaudited)			
	Amortized cost[(a)]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBSs)				
Pass-through type held-to-maturity securities	3,004	-	(282)	2,722
Of which: GNMA-backed securities	1,800	-	(159)	1,641
Securities issued by FNMA or FHLMC	1,204	-	(123)	1,081
Other mortgage-backed bonds (including CMOs and stripped MBSs)	-	-	-	-
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed bonds (MBS)	3,004	-	(282)	2,722
Asset-backed bonds (ABS)	240	-	(10)	230
Of which: Loans to other than private individuals - CLO-type bonds	240	-	(10)	230
Total mortgage-backed held-to-maturity bonds	3,244	-	(292)	2,952

	June 30, 2021 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBSs)				
Pass-through held-to-maturity bonds	2,407	25	(25)	2,407
Of which: GNMA-backed securities	1,392	15	(17)	1,390
Securities issued by FNMA or FHLMC	1,015	10	(8)	1,017
Other mortgage-backed bonds (including CMOs and stripped MBSs)	118	-	(10)	108
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	118	-	(10)	108
Total mortgage-backed bonds (MBS)	2,525	25	(35)	2,515
Asset-backed bonds (ABS)	-	-	-	-
Of which: Loans to other than private individuals - CLO-type bonds	-	-	-	-
Total mortgage-backed held-to-maturity bonds	2,525	25	(35)	2,515

(a) Including a provision balance for credit differences in the amount of NIS 4 million.

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 (MBSs)				
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 private 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

	June 30, 2022 (unaudited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBSs)				
Pass-through bonds	2,345	-	(233)	2,112
Of which: GNMA-backed bonds	1,606	-	(149)	1,457
Bonds issued by FNMA or FHLMC	739	-	(84)	655
Other mortgage-backed bonds (including CMOs and stripped MBSs)	1,849	5	(144)	1,710
Of which: Bonds issued or guaranteed by GNMA, FNMA, or FHLMC	1,497	-	(138)	1,359
Total mortgage-backed bonds (MBS)	4,194	5	(377)	3,822
Asset-backed bonds (ABS)	3,195	1	(106)	3,090
Of which: Loans to other than private individuals - CLO-type bonds	2,134	1	(84)	2,051
Loans to non-individuals - SBA-guaranteed securities	833	-	(15)	818
Total available-for-sale mortgage-backed and asset-backed bonds	7,389	6	(483)	6,912

	June 30, 2021 (unaudited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBSs)				
Pass through bonds	3,167	17	(20)	3,164
Of which: GNMA-backed securities	1,079	3	(9)	1,073
Securities issued by FNMA or FHLMC	2,088	14	(11)	2,091
Other mortgage-backed bonds (including CMOs and stripped MBSs)	2,204	26	(21)	2,209
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	1,883	19	(21)	1,881
Total mortgage-backed bonds (MBS)	5,371	43	(41)	5,373
Asset-backed bonds (ABS)	2,459	10	(9)	2,460
Of which: Loans to other than private individuals - CLO-type bonds	1,801	9	(2)	1,808
Loans to non-individuals - SBA-guaranteed securities	301	-	(6)	295
Total available-for-sale mortgage-backed and asset-backed bonds	7,830	53	(50)	7,833

(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 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 (MBSs)				
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 CMOs 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 other than private 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

	June 30, 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)	**29**	**-**	**(2)**	**27**
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	**-**	**-**	**-**	**-**
Total mortgage-backed securities (MBS)	**30**	**-**	**(2)**	**28**
Total asset-backed securities (ABS)	**11**	**-**	**(1)**	**10**
Total mortgage-backed and asset-backed held-for-trading securities	**41**	**-**	**(3)**	**38**

	June 30, 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)	34	-	(2)	32
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	33	-	(2)	31
Total mortgage-backed securities (MBS)	36	-	(2)	34
Total asset-backed securities (ABS)	35	1	(1)	35
Total mortgage-backed and asset-backed held-for-trading securities	71	1	(3)	69

(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

	June 30, 2022 (unaudited)					
	Loans to the public				Banks, govern-ments and bonds	Total
	Com-mercial	Housing	Private - other	Total - public		
	In NIS million					
Recorded outstanding debt:						
Examined on a specific basis	202,153	-	407	202,560	97,288	299,848
Examined on a collective basis	25,274	113,077	28,900	167,251	4	167,255
Total[1]	227,427	113,077	29,307	369,811	97,292	467,103
[1]Of which:						
Non-performing debts	1,884	514	189	2,587	-[(b)]	2,587
Debts in arrears of 90 days or more	231	-	65	296	-	296
Other troubled debts	2,699	52	427	3,178	-	3,178
Total troubled debts	4,814	566	681	6,061	-	6,061
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	3,294	-	143	3,437	40	3,477
Examined on a collective basis	551	321	578	1,450	-	1,450
Total loan loss provision[2]	3,845	321	721	4,887	40	4,927
[2]Of which:						
For non-performing debts	402	69	150	621	-[(b)]	621
For other troubled debts	475	6	230	711	-	711

(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) Balances of less than NIS 1 million.

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.)

	June 30, 2021 (unaudited)[b]					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Private - other	Total - public		
	In NIS million					
Recorded outstanding debt:						
Examined on a specific basis	155,164	-	872	156,036	97,565	253,601
Examined on a collective basis	41,618	96,496	26,150	164,264	2,488	166,752
Total[1]	196,782	96,496	27,022	320,300	100,053	420,353
[1]Of which:						
Non-performing debts	2,925	20	199	3,144	-[(c)]	3,144
Debts in arrears of 90 days or more	56	666	38	760	-	760
Other troubled debts	3,339	1	408	3,748	8	3,756
Total troubled debts	6,320	687	645	7,652	8	7,660
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	3,060	-	246	3,306	2	3,308
Examined on a collective basis	641	605	515	1,761	-	1,761
Total loan loss provision[2]	3,701	605	761	5,067	2	5,069
[2]Of which:						
For non-performing debts	842	6	156	1,004	-[(c)]	1,004
For other troubled debts	637	-	216	853	-	853

(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.
(c) Balances of less than NIS 1 million.

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
	Commercial	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[1]	215,708	103,688	27,995	347,391	96,723	444,114
[1]Of which:						
Non-performing debts	2,368	20	205	2,593	-[(c)]	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[2, 3]	3,312	489	711	4,512	3	4,515
[2]Of which:						
For non-performing debts	657	5	155	817	-[(c)]	817
For other troubled debts	477	123	199	799	-	799

(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.

(c) Balances of less than NIS 1 million.

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 June 30, 2022 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, govern-ments and bonds held-to-maturity and available-for-sale	
	Com-mercial	Housing	Private - other	Total - public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period[(a)]	**4,299**	**317**	**699**	**5,315**	**34**	**5,349**
Loan loss expenses	**42**	**14**	**63**	**119**	**7**	**126**
Charge-offs	**(130)**	**(9)**	**(89)**	**(228)**	**-**	**(228)**
Collection of debts written off in previous years	**102**	**-**	**64**	**166**	**-**	**166**
Net charge-offs	**(28)**	**(9)**	**(25)**	**(62)**	**-**	**(62)**
Outstanding loan loss provision as at the end of the reporting period[1]	**4,313**	**322**	**737**	**5,372**	**41**	**5,413**
[1]Of which: in respect of off-balance-sheet credit instruments	**468**	**1**	**16**	**485**	**1**	**486**

	For the three months ended June 30, 2021 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks and govern-ments	
	Com-mercial	Housing	Private - other	Total - public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,241	614	776	5,631	3	5,634
Loan loss expenses (income)	(153)	(8)	4	(157)	(1)	(158)
Charge-offs	(136)	(1)	(68)	(205)	-	(205)
Collection of debts written off in previous years	150	-	65	215	-	215
Net charge-offs	14	(1)	(3)	10	-	10
Adjustments from translation of financial statements	(5)	-	-	(5)	-	(5)
Outstanding loan loss provision as at the end of the reporting period[1]	4,097	605	777	5,479	2	5,481
[1]Of which: in respect of off-balance-sheet credit instruments	396	-	16	412	-	412

(a) The balance of the loan loss provision as of the beginning of the period is presented less assets classified as held for sale as of March 31, 2022. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Change in Balance of Loan Loss Provision (cont.)

	For the six months ended June 30, 2022 (unaudited)					
	Loan loss provision					
	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					
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	43	7	15	65	21	86
Charge-offs	(297)	(9)	(167)	(473)	-	(473)
Collection of debts written off in previous years	269	-	140	409	-	409
Net charge-offs	(28)	(9)	(27)	(64)	-	(64)
Adjustments from translation of financial statements	5	-	-	5	-	5
Less balances of the subsidiary in the United States that was sold[(b)]	(276)	-	-	(276)	(9)	(285)
Outstanding loan loss provision as at the end of the reporting period[1]	4,313	322	737	5,372	41	5,413
[1]Of which: in respect of off-balance-sheet credit instruments	468	1	16	485	1	486

	For the six months ended June 30, 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and govern-ments	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 income	(333)	(27)	(9)	(369)	(1)	(370)
Charge-offs	(250)	(4)	(142)	(396)	-	(396)
Collection of debts written off in previous years	391	-	136	527	-	527
Net charge-offs	141	(4)	(6)	131	-	131
Adjustments from translation of financial statements	5	-	-	5	-	5
Outstanding loan loss provision as at the end of the reporting period[1]	4,097	605	777	5,479	2	5,481
[1]Of which: in respect of off-balance-sheet credit instruments	396	-	16	412	-	412

(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) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For more information, please see Note 16.A.

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	June 30		December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
In Israel			
Demand deposits			
Noninterest bearing deposits	**152,075**	134,951	161,327
Interest-bearing deposits	**212,709**	189,760	210,393
Total demand deposits	**364,784**	324,711	371,720
Fixed deposits	**167,536**	135,944	140,596
Total deposits in Israel[1]	**532,320**	460,655	512,316
Outside Israel			
Demand deposits			
Noninterest bearing deposits	**405**	14,407	14,737
Interest-bearing deposits	**12**	7,915	6,677
Total demand deposits	**417**	22,322	21,414
Fixed deposits	**-**[(a)]	4,105	3,539
Total deposits outside Israel	**417**	26,427	24,953
Total deposits by the public	**532,737**	487,082	537,269
[1]Of which:			
Deposits by private individuals	**152,970**	147,683	146,235
Deposits by institutional entities	**123,549**	94,099	127,883
Deposits by corporations and others	**255,801**	218,873	238,198

B. Deposits by the Public, by Amount

	June 30		December 31
	2022	2021	2021
	Unaudited		Audited
Maximum deposit in NIS million	In NIS million		
Up to 1	**119,879**	122,290	120,656
Over 1 and up to 10	**112,831**	110,973	111,186
Over 10 and up to 100	**86,994**	83,024	86,924
Over 100 and up to 500	**63,443**	60,451	65,715
Over 500	**149,590**	110,344	152,788
Total	**532,737**	487,082	537,269

(a) Balances of less than NIS 1 million.

Note 8 - Employee Benefits

A. Composition of Benefits

1. Employee benefits

	As of June, 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Retirement benefits - Pension and severance pay			
Liability amount	**17,212**	20,353	21,261
Fair value of plan assets	**9,067**	9,453	9,803
Excess liability over plan assets	**8,145**	10,900	11,458
Accrued jubilee vacation leave			
Liability amount	**23**	35	30
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in "other liabilities")	**23**	35	30
Other benefits			
Liability amount	**521**	660	637
Fair value of plan assets	**-**	-	-
Excess liability over plan assets	**521**	660	637
Total			
Excess liability included in "other liabilities"[1]	**8,706**	11,595	12,150
[1]Of which: for benefits to employees abroad	**-**	60	28
Excess assets included in "Other Assets"[2]	**17**	-	25
[2]Of which: for benefits to employees abroad	**1**	-	12

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan

A. Obligation and funding status

1. Change in the obligation in respect of expected benefit

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Obligation in respect of expected benefit as at the beginning of the period	**18,399**	20,174	**21,261**	20,491	20,491
Service cost	**34**	49	**81**	98	189
Interest cost	**175**	144	**331**	278	572
Contributions by planholders	**7**	8	**14**	16	32
Actuarial loss (gain)	**(1,063)**	182	**(3,658)**	(145)	829
Changes in foreign exchange rates	**2**	(7)	**4**	10	(12)
Paid benefits	**(342)**	(197)	**(734)**	(395)	(840)
Other	**-**	-	**69**	-	-
Less balances of the subsidiary in the United States that was sold[a]	**-**	-	**(156)**	-	-
Obligation in respect of expected benefit as at the end of the reporting period	**17,212**	20,353	**17,212**	20,353	21,261
Obligation in respect of cumulative benefit as at the end of the reporting period	**16,521**	18,922	**16,521**	18,922	19,617

(a) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For more information, please see Note 16.A.

The actuarial gain during the reporting period 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 June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million		`		
Fair value of plan assets as at the beginning of the period	**9,240**	9,179	**9,803**	8,945	8,945
Actual return on plan assets[a]	**37**	267	**(191)**	549	1,150
Plan contributions by the Bank	**18**	122	**36**	165	201
Contributions by planholders	**7**	8	**14**	16	32
Changes in foreign exchange rates	**6**	(8)	**8**	10	(23)
Paid benefits	**(241)**	(115)	**(502)**	(232)	(502)
Other	**-**	-	**69**	-	-
Less balances of the subsidiary in the United States that was sold[b]	**-**	-	**(170)**	-	-
Fair value of plan assets as at the end of the reporting period	**9,067**	9,453	**9,067**	9,453	9,803
Funding status - net liability recognized at the end of the reporting period	**8,145**	10,900	**8,145**	10,900	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 fnancial statements as at December 31, 2021.

(b) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For more information, please see Note 16.A.

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

A. Obligation and funding status (cont.)

3. Amounts recognized in the consolidated balance sheet

	As of June 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Amounts recognized in the “Other assets” item	**17**	-	25
Amounts recognized in the “Other liabilities” item	**8,162**	10,900	11,483
Net liability recognized at the end of the reporting period	**8,145**	10,900	11,458

4. Amounts recognized in Accumulated other comprehensive income before tax effect

	As of June 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Net actuarial loss	**1,668**	4,822	5,168
Closing balance of accumulated other comprehensive income	**1,668**	4,822	5,168

B. Expenditure for the period

1. Components of the net benefit cost recognized in the income statement

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Service cost	**34**	49	**81**	98	189
Interest cost	**175**	144	**331**	278	572
Expected return on plan assets	**(97)**	(101)	**(207)**	(200)	(414)
Amortization of unrealized amounts - net actuarial loss	**68**	118	**194**	249	489
Total benefit cost, net	**180**	210	**399**	425	836
Total expense for defined contribution pension plan	**49**	47	**98**	92	185
Total expenses included in profit and loss	**229**	257	**497**	517	1,021

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

B. Expenditure for the period (cont.)

2. Changes in plan assets and obligation for benefit recognized in other comprehensive income before tax effect

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Net actuarial loss (gain) for the period	**(1,003)**	16	**(3,260)**	(494)	93
Amortization of unrealized amounts - net actuarial loss	**(68)**	(118)	**(194)**	(249)	(489)
Changes in foreign exchange rates	**(1)**	(1)	**-**	1	-
Less balances of the subsidiary in the United States that was sold[(a)]	**(46)**	-	**(46)**	-	-
Total recognized in other comprehensive income	**(1,118)**	(103)	**(3,500)**	(742)	(396)
Total benefit cost, net	**180**	210	**399**	425	836
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	**(938)**	107	**(3,101)**	(317)	440

(a) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see Note 16.A.

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 of June 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
Discount rate	**1.86**	0.90	0.55
Rate of increase in the CPI	**2.51**	1.99	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

(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.

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

3. Assumptions[(a)] (cont.)

A. The assumptions, based on the weighted average, used for calculating the benefit obligation and for measuring the benefit's net cost (cont.)

2. The main assumptions used for calculating the cost of the net benefit for the period

	As of June 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
Discount rate	**0.88**	0.99	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 of June 30		As at December 31	As of June 30		As at December 31
	2022	2021	2021	**2022**	2021	2021
	Unaudited		Audited	Unaudited		Audited
	In NIS million					
Discount rate	**(2,170)**	(2,770)	(2,829)	**2,665**	3,444	3,507
Rate of increase in the CPI	**(372)**	(595)	(592)	**414**	667	665
Departure rate	**225**	313	256	**(246)**	(305)	(283)
Rate of compensation increase	**404**	654	650	**(363)**	(585)	(580)

(a) The assumptions are only in respect of the Bank's data.

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 and 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).

4. Plan assets

A. Composition of the fair value of plan assets

	As of June 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Cash and deposits with banks	**83**	291	295
Shares	**1,432**	1,729	1,736
Government bonds	**322**	380	501
Corporate bonds	**745**	1,033	964
Other[(a)]	**6,485**	6,020	6,307
Total	**9,067**	9,453	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 financial statements as at December 31, 2021.

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

4. Plan assets (cont.)

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 of June 30		As at December 31
	2022	**2022**	2021	2021
	Unaudited			Audited
	In %			
Cash and deposits with banks	**3**	**1**	3	3
Shares	**18**	**16**	18	18
Government bonds	**5**	**4**	4	5
Corporate bonds	**10**	**8**	11	10
Other	**64**	**71**	64	64
Total	**100**	**100**	100	100

5. Cash flows

A. Contributions

	Forecast[(a)]	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	**2022**	2021	**2022**	2021	2021
	Unaudited					Audited
	In NIS million					
Contributions	**50**	**25**	130	**50**	181	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)].

Year	In NIS million
2022	372
2023	805
2024	774
2025	832
2026	837
2027-2031	4,936
2032 and onwards	13,935
Total	22,491

(a) In discounted values.

Note 9A - Equity

Changes in the Bank's Equity

Issuance of shares

On June 23, 2022, the Bank completed an issuance of 90,909,091 ordinary shares, NIS 1.0 p.v. each, for a total consideration of NIS 2.75 billion as part of the non-uniform offering to institutional investors, in Israel and abroad. The capital raising was carried out in the context of the Bank's significant growth in recent quarters and the desire to continue the growth momentum while focusing the growth on mid-sized businesses, mortgages and business credit. The consideration of the issuance will strengthen the Bank's regulatory capital and allow it to continue its growth strategy and bring value to the shareholders.

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 total consolidated on-balance sheet 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, 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 of June 30, 2022, is 0.20 percent in terms of CET1.

Accordingly, the minimum capital requirements applicable to the Bank as of June 30, 2022 are 10.20 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 on-balance-sheet 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.

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.

Note 9A - Equity (cont.)

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.

On August 15, 2022, the Board of Directors approved a dividend distribution totaling NIS 399 million, which represents approx. 20 percent of the net income for the second quarter of 2022. The dividend approved amounted is 25.818 agorot per share of NIS 1 par value. The Board of Directors has set August 29, 2022 as the record date for the dividend payment and September 6, 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
May 23, 2022	June 15, 2022	22.14	322

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 January 13 2022, the Bank issued a total of NIS 1.2 billion p.v. in bonds by way of extending Series 179, and a total of NIS 1.8 billion p.v. in bonds by extending Series 182.

The Series 179 and 182 bonds are not recognized for regulatory capital purposes.

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 March 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.

Note 9A - Equity (cont.)

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.

On May 29, 2022, the Bank issued a total of NIS 550 million p.v. in bonds by way of an expansion of Series 179 for a consideration of approx. NIS 593.5 million. In addition, the Bank issued a total of NIS 260.8 million p.v. in bonds by way of an expansion of Series 183 for a consideration of approx. NIS 248.3 million.

The Bank also issued a total of approx. NIS 898 million p.v. in commercial securities (Series 2 CS). The principal of the Series 2 Commercial Securities and interest in respect thereof shall be payable in one lump sum on May 28, 2023; it is not linked, and carries interest at a rate of 0.29 percent over the Bank of Israel's interest rate.

The Series 179, 183 Bonds and Commercial Securities (Series 2 CS) are not recognized for regulatory capital purposes.

On July 27, 2022, the Bank issued a total of USD 500 million p.v. in Leumi $ Series 2027 Senior Bonds for a consideration of USD 496.7 million. The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange. The Leumi $ 2027 Preferred Bonds principal bears fixed annual interest of 5.125 percent per year, which will be paid in semi-annual payments and is payable in one lump sum on July 27, 2027, and the Bank may make early redemption from June 27, 2027.

The Leumi $ 2027 Series Preferred Bond are not recognized for regulatory capital purposes.

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 discount 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 19,654 million and the Common Equity Tier 1 capital - to NIS 44,910 million, compared with a book value of NIS 17,539 million for the pension liability and Common Equity Tier 1 capital of NIS 45,990 million.

Following is an analysis of the effects of the changes on Common Equity Tier 1 capital as at June 30, 2022:

- Change in total risk-weighted assets – risk-weighted assets amounted to NIS 399.2 billion as at June 30, 2022. Every NIS 1 billion increase in risk-weighted assets will reduce the Common Equity Tier 1 capital and total capital ratio by 0.03 percent.
- Change in Common Equity Tier 1 capital - Common Equity Tier 1 capital amounted to NIS 44.9 billion as of June 30, 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.)

	June 30		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)]	**44,910**	42,014	43,117
Tier 2 capital, after deductions	**10,980**	10,331	10,148
Total capital	**55,890**	52,345	53,265
Balance of risk-weighted assets			
Credit risk[(b)]	**367,975**	322,809	346,602
Market risks	**7,059**	5,454	5,592
Operational risk	**24,135**	22,373	22,582
Total balance of risk-weighted assets	**399,169**	350,636	374,776
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted assets	**11.25%**	11.98%	11.50%
Ratio of total capital to risk-weighted assets	**14.00%**	14.93%	14.21%
Minimum CET 1 capital ratio set by the Banking Supervision Department[(a)]	**10.20%**	9.20%	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		14.13%	13.40%
Ratio of total capital to risk-weighted assets		15.27%	14.43%
Minimum CET 1 capital set by the local authorities[(d)]		7.00%	7.00%
Minimum total capital ratio set by the local authorities[(d)]		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 plan prescribed in the Banking Supervision Department's letter entitled Operational Efficiency of the Banking System in Israel; these adjustments are deducted gradually until September 30, 2024. Of the total balances of risk-weighted assets, NIS 50 million was deducted as at June 30, 2022, due to adjustments in respect of the efficiency plans (as at June 30, 2021, NIS 104 million was deducted, as at December 31, 2021 – NIS 78 million). 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 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.

(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

	June 30		December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
1. CET1 capital			
Shareholders' equity	**47,060**	40,848	41,610
Differences between equity attributable to the Bank's shareholders and Common Equity Tier 1 capital - non-controlling interests	**-**	289	300
Adjustments in respect of the transition from the accounting curve to the 8-quarter average yield curve[(a)]	**(1,430)**	931	1,304
Total CET1 capital before regulatory adjustments and deductions	**45,630**	42,068	43,214
Regulatory adjustments and deductions:			
Goodwill and intangible assets	**(1,106)**	(179)	(178)
Regulatory adjustments and other deductions - CET1 capital	**(40)**	(16)	(23)
Total regulatory adjustments and deductions before adjustments in respect of efficiency plans and before adjustments for CECL - CET1 capital	**(1,146)**	(195)	(201)
Total adjustments for the efficiency plan	**66**	141	104
Total adjustments for current expected credit losses[(b)]	**360**	-	-
Total CET1 capital, after regulatory adjustments and deductions	**44,910**	42,014	43,117
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**6,821**	6,296	6,153
Tier 2 capital: Provisions for loan losses, before deductions	**4,159**	4,035	3,995
Total Tier 2 capital before deductions	**10,980**	10,331	10,148
Deductions:			
Total deductions - Tier 2 capital	**-**	-	-
Total Tier 2 capital	**10,980**	10,331	10,148
Total capital	**55,890**	52,345	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

	June 30		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	**11.13%**	11.94%	11.47%
Adjustments in respect of the efficiency plan[(a)(b)]	**0.02%**	0.04%	0.03%
Adjustments for current expected credit losses[(c)]	**0.1%**	-	-
Ratio of CET1 capital to risk-weighted assets	**11.25%**	11.98%	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 on-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 consolidated total on-balance sheet 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 amendment to Proper Conduct of Banking Business Directives for Handling the Coronavirus (Temporary Order) (Directive No. 250). The circular adjusts Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio", such that a banking corporation whose total consolidated on-balance sheet assets is 24 percent or more than the on-balance total 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 9.A. 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.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

	As of June 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
a. Consolidated data[(a)(b)]			
Tier 1 capital	**44,910**	42,014	43,117
Total exposures	**718,134**	651,119	711,125
Leverage ratio			
Leverage ratio	**6.25%**	6.45%	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		10.48%	11.66%
Minimum total leverage ratio set by the Banking Supervision Department		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. 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.

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).

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.

Note 9B - Capital Adequacy, Leverage and Liquidity (cont.)

	June 30		December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
a. Consolidated data			
Liquidity coverage ratio	**122**	129	124
Minimum liquidity coverage ratio set by the Banking Supervision Department[a]	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**119**	127	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.

	June 30	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

	June 30		December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Commitments to purchase securities	**1,099**	704	686
Commitments to invest in, and purchase of, buildings and equipment	**109**	51	23

	For the three months ended June 30		For the six months ended June 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Credit sale activity					
Book value 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 355 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 lawsuit was deleted and the personal claim of the applicant was rejected.

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.

1.3. On March 2, 2021, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against two additional banks. According to the lawsuit, the banks are not entitled to charge large corporate customers a transaction recording fee ("line fee") in addition to the specific fees and commissions charged for various services. The plaintiff notes that the damage caused to the plaintiff is NIS 101.65 and does not state the damage assessment for the class. On May 22, 2022, the court approved the withdrawal of the applicants and as a result, the class action lawsuit was deleted and the personal claim of the applicant was rejected.

1.4. On April 29, 2015, a motion to approve a class certification was filed against the Bank. The claim amount is NIS 150 million. According to the applicant, funds of Holocaust survivors which were deposited with the Anglo Palestine Bank before World War II and which were not withdrawn by them during the war are repaid to the customers or their next of kin without being purportedly revalued to real terms. On February 11 2021, the District Court issued a ruling dismissing the motion for class action certification. On April 12, 2021, the plaintiff appealed the ruling with the Supreme Court. On August 1, 2022, the Supreme court rejected the appeal, and 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.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates

A. Volume of Consolidated Activity

	June 30, 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	8,558	44,177	52,735
Written options	280	2,494	2,774
Purchased options	-	951	951
Swaps[(a)]	33,276	294,598	327,874
Total[(b)]	42,114	342,220	384,334
Of which: Hedging derivatives[(c)]	5,616	-	5,616
b) Foreign currency contracts			
Futures and forwards[(d)]	67,138	287,128	354,266
Written options	1,107	22,019	23,126
Purchased options	1,107	21,251	22,358
Swaps[(a)]	175	20,856	21,031
Total	69,527	351,254	420,781
c) Stock contracts			
Futures and forwards	445	184,416	184,861
Written options	1,377	50,864	52,241
Purchased options[(e)]	493	50,904	51,397
Other	7	-	7
Swaps	249	111,364	111,613
Total	2,571	397,548	400,119
d) Commodities and other contracts			
Futures and forwards	-	1,590	1,590
Written options	-	133	133
Purchased options	-	132	132
Swaps	-	3,208	3,208
Total	-	5,063	5,063
Total nominal amount	114,212	1,096,085	1,210,297

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 165,461 million.
(b) Of which: NIS-CPI swaps totaling NIS 15,530 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 19,117 million.
(e) Of which: a total of NIS 50,716 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.)

	June 30, 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	2,686	16,217	18,903
Written options	1,565	3,506	5,071
Purchased options	-	2,509	2,509
Swaps[(a)]	18,043	198,688	216,731
Total[(b)]	22,294	220,920	243,214
Of which: Hedging derivatives[(c)]	6,487	-	6,487
b) Foreign currency contracts			
Futures and forwards[(d)]	49,043	257,585	306,628
Written options	2,070	47,535	49,605
Purchased options	2,070	37,663	39,733
Swaps[(a)]	-	18,800	18,800
Total	53,183	361,583	414,766
c) Stock contracts			
Futures and forwards	547	126,531	127,078
Written options	752	94,160	94,912
Purchased options[(e)]	609	94,268	94,877
Other	7	-	7
Swaps	123	92,768	92,891
Total	2,038	407,727	409,765
d) Commodities and other contracts			
Futures and forwards	-	782	782
Written options	-	304	304
Purchased options	-	304	304
Swaps	-	7,784	7,784
Total	-	9,174	9,174
Total nominal amount	77,515	999,404	1,076,919

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 110,639 million.
(b) Of which: NIS-CPI swaps totaling NIS 13,997 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 31,039 million.
(e) Of which: a total of NIS 93,940 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.)

	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[(a)]	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.)

	June 30, 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	729	5,591	6,320	636	5,784	6,420
Of which: Hedging derivatives	586	-	586	12	-	12
b) Foreign currency contracts	429	11,408	11,837	56	8,606	8,662
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	24	8,737	8,761	86	8,708	8,794
d) Commodities and other contracts	-	90	90	-	90	90
Total assets/liabilities in respect of derivatives, gross[(a)]	1,182	25,826	27,008	778	23,188	23,966
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	1,182	25,826	27,008	778	23,188	23,966
Of which: Not subject to a master netting- or similar arrangements	-	372	372	-	719	719

(a) Of which: NIS 36 million in gross fair value of assets in respect of embedded derivatives, NIS 12 million in gross fair value of liabilities in respect of embedded derivatives.

	June 30, 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	249	3,675	3,924	403	3,820	4,223
Of which: Hedging derivatives	158	-	158	227	-	227
b) Foreign currency contracts	129	2,663	2,792	51	2,806	2,857
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	26	4,121	4,147	36	4,115	4,151
d) Commodities and other contracts	-	356	356	-	351	351
Total assets/liabilities in respect of derivatives, gross[(a)]	404	10,815	11,219	490	11,092	11,582
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	404	10,815	11,219	490	11,092	11,582
Of which: Not subject to a master netting- or similar arrangements	47	273	320	6	486	492

(a) Of which: NIS 3 million in gross fair value of assets in respect of embedded derivatives, NIS 27 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
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 June 30, 2022		For the six months ended June 30, 2022	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement	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			
a. Derivatives used for cash flow hedges[(b)]				
Interest rate contracts[(c)]	66	5	(10)	7

	For the three months ended June 30, 2021		For the six months ended June 30, 2021	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement	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			
a. Derivatives used for cash flow hedges[(b)]				
Interest rate contracts[(c)]	15	-	(21)	-

	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	
a. 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 (expenses) 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 June 30, 2022	For the six months ended June 30, 2022
	Unaudited	
	In NIS million	
Total interest income (expenses) recognized in the income statement	**(14)**	**(31)**
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts[a]		
Hedged items	**(287)**	**(602)**
Hedging derivatives	**278**	**578**
b. Gain (loss) on cash flow hedges		
Interest rate contracts		
Profit and loss reclassified to Accumulated other comprehensive income (loss)	**(5)**	**(7)**

	For the three months ended June 30, 2021	For the six months ended June 30, 2021
	Unaudited	
	In NIS million	
Total interest income (expenses) recognized in the income statement	(12)	(24)
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts[a]		
Hedged items	155	(243)
Hedging derivatives	(167)	219
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 (expenses) 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 June 30, 2022 (unaudited)		
	Book value	Fair value adjustments which increased (decreased) the book value	
	of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	**4,913**	**(703)**	**1**

	As at June 30, 2021 (unaudited)		
	Book value	Fair value adjustments which increased (decreased) the book value	
	of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	5,451	126	10

	For the year ended December 31, 2021 (audited)		
	Book value	Fair value adjustments which increased (decreased) the book value	
	of the 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 June 30, 2022		For the six months ended June 30, 2022	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]	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	**(246)**	**-**	**(290)**	**-**

	For the three months ended June 30, 2021		For the six months ended June 30, 2021	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[(a)]	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	47	-	(26)	-

	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 (expenses) line item or in the noninterest finance income (expense) line item.

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 June 30, 2022	For the six months ended June 30, 2022
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited	
	In NIS million	
Derivatives not designated as hedging instruments		
Interest rate contracts	(87)	(137)
Foreign exchange contracts	5,203	6,501
Stock contracts	(28)	(9)
Commodity- and other contracts	-	1
Total	5,088	6,356

	For the three months ended June 30, 2021	For the six months ended June 30, 2021
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited	
	In NIS million	
Derivatives not designated as hedging instruments		
Interest rate contracts	(23)	136
Foreign exchange contracts	(594)	379
Stock contracts	47	97
Commodity- and other contracts	4	5
Total	(566)	617

	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

	June 30, 2022 (unaudited)					
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Other	Total
	In NIS million					
Book balance of assets in respect of derivatives[a][b]	276	5,749	6,797	19	14,167	27,008
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	4,623	6,594	19	2,677	13,913
Credit risk mitigation in respect of cash collateral received	-	939	175	-	7,074	8,188
Net amount of assets in respect of derivatives	276	187	28	-	4,416	4,907
Off-balance sheet credit risk for derivatives[d][e]	511	6,936	8,136	97	12,591	28,271
Mitigation of off-balance sheet credit risk	-	3,887	4,649	58	2,456	11,050
Net off-balance sheet credit risk for derivatives	511	3,049	3,487	39	10,135	17,221
Total credit risk for derivatives	787	3,236	3,515	39	14,551	22,128
Book balance of liabilities in respect of derivatives[a][c]	269	9,499	9,019	163	5,016	23,966
Gross amounts not netted on the balance sheet:						
Financial instruments	-	4,623	6,594	19	2,677	13,913
Pledged cash collateral	-	3,662	1,695	144	647	6,148
Net amount of liabilities in respect of derivatives	269	1,214	730	-	1,692	3,905

	June 30, 2021 (unaudited)					
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Other	Total
	In NIS million					
Book balance of assets in respect of derivatives[a][b]	147	4,950	3,733	107	2,282	11,219
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	2,675	3,166	16	1,369	7,226
Credit risk mitigation in respect of cash collateral received	-	1,923	526	80	309	2,838
Net amount of assets in respect of derivatives	147	352	41	11	604	1,155
Off-balance sheet credit risk for derivatives[d][e]	354	8,709	5,977	94	11,068	26,202
Mitigation of off-balance sheet credit risk	-	2,644	2,423	8	5,637	10,712
Net off-balance sheet credit risk for derivatives	354	6,065	3,554	86	5,431	15,490
Total credit risk for derivatives	501	6,417	3,595	97	6,035	16,645
Book balance of liabilities in respect of derivatives[a][c]	123	3,482	3,168	16	4,793	11,582
Gross amounts not netted on the balance sheet:						
Financial instruments	-	2,675	3,166	16	1,369	7,226
Pledged cash collateral	-	633	-	-	2,307	2,940
Net amount of liabilities in respect of derivatives	123	174	2	-	1,117	1,416

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	Governments and central banks	Other	Total
	In NIS million					
Book balance of assets 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 outstanding balance-sheet standalone assets in respect of derivatives totaling NIS 26.972 million (June 30 2021 - 11,216 million, December 31 2021 - NIS 14,027 million).

(c) Of which outstanding total standalone liabilities in respect of derivatives totaling NIS 23,954 million (June 30, 2021 - 11,555 million, 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 six-month periods ended June 30, 2022, June 30, 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 of June 30, 2022, June 30, 2021 and December 31, 2021 was NIS 186 million, NIS 156 million and NIS 174 million, respectively.
   The effect of the non-performance risk on the valuation of assets for derivatives as of June 30, 2022, June 30, 2021 and December 31, 2021 was NIS 34 million, NIS 16 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

	June 30, 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	1,254	4,957	6,359	2,960	15,530
Other	45,183	94,465	156,501	72,655	368,804
Foreign exchange contracts	243,576	149,495	20,468	7,242	420,781
Stock contracts	300,132	98,794	1,193	-	400,119
Commodity- and other contracts	607	1,758	2,698	-	5,063
Total	590,752	349,469	187,219	82,857	1,210,297
Total as at June 30, 2021 (unaudited)	578,318	282,213	137,908	78,480	1,076,919
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

	For the three months ended June 30, 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	1,779	1,423	14	2
Interest expense from external	108	-	-	28
Interest income, net:				
From external	1,671	1,423	14	(26)
Inter-segmental	(913)	(1,128)	-	60
Total interest income, net	758	295	14	34
Total noninterest income	247	13	67	37
Total income	1,005	308	81	71
Loan loss expenses (income)	77	14	7	-
Operating and other expenses:				
For external	657	92	57	21
Inter-segmental	(3)	1	-	-
Total operating and other expenses	654	93	57	21
Profit (loss) before taxes	274	201	17	50
Provision for income taxes (benefit)	90	65	7	16
Profit (loss) after taxes	184	136	10	34
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	184	136	10	34
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	184	136	10	34
Average balance of assets[(b)]	137,700	109,284	4,054	451
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	138,426	109,544	4,077	443
Outstanding loans to the public as at the end of the reporting period	142,360	112,878	4,128	443
Outstanding non-performing debts	702	514	26	-
Outstanding debts in arrears of over 90 days	65	-	-	-
Average outstanding liabilities[(b)]	123,234	72	4	26,750
Of which: Average balance of deposits by the public[(b)]	123,123	-	-	26,749
Balance of deposits by the public as at the end of the reporting period	124,928	-	-	28,226
Average balance of risk-weighted assets[(b)(c)]	90,077	66,109	3,578	738
Balance of risk-weighted assets as at the end of the reporting period[(c)]	94,291	69,187	3,542	855
Average balance of assets under management[(b)(d)]	62,046	513	-	48,912
Breakdown of interest income, net:				
Margin from credit granting activities	604	295	14	5
Margin from deposit taking activities	154	-	-	29
Other	-	-	-	-
Total interest income, net	758	295	14	34

(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 17.6 billion to customers whose business activity is classified to business segments.

							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
588	273	820	7	496	-	3,965	61	4,026
60	58	131	154	355	-	894	7	901
528	215	689	(147)	141	-	3,071	54	3,125
43	49	(151)	186	738	3	15	(15)	-
571	264	538	39	879	3	3,086	39	3,125
222	87	160	46	742	-	1,541	16	1,557
793	351	698	85	1,621	3	4,627	55	4,682
101	(7)	(83)	3	37	-	128	(2)	126
407	113	115	53	100	147	1,613	28	1,641
-	-	-	3	5	(5)	-	-	-
407	113	115	56	105	142	1,613	28	1,641
285	245	666	26	1,479	(139)	2,886	29	2,915
96	82	221	8	495	(6)	1,002	5	1,007
189	163	445	18	984	(133)	1,884	24	1,908
-	-	-	-	84	-	84	-	84
189	163	445	18	1,068	(133)	1,968	24	1,992
-	-	-	-	-	-	-	-	-
189	163	445	18	1,068	(133)	1,968	24	1,992
60,287	36,272	111,477	4,279	278,950	11,627	641,043	7,071	648,114
-	-	-	-	1,021	-	1,021	-	1,021
61,194	36,666	112,290	4,287	-	-	353,306	5,711	359,017
63,868	37,851	117,706	1,525	-	-	363,753	6,058	369,811
366	245	1,238	2	-	-	2,553	34	2,587
32	-	-	-	-	-	97	199	296
92,650	64,188	90,331	122,522	71,126	11,255	602,056	2,945	605,001
92,545	64,119	88,737	121,992	-	-	517,265	2,787	520,052
96,238	68,999	90,380	123,549	-	-	532,320	417	532,737
56,619	40,859	127,821	1,633	28,529	17,673	363,949	30,830	394,779
60,869	41,669	143,269	275	32,342	17,870	391,440	7,729	399,169
77,461	33,186	125,911	1,010,666	60,128	-	1,418,310	-	1,418,310
476	204	494	5	1,678	3	3,469	59	3,528
95	60	44	34	(957)	-	(541)	(6)	(547)
-	-	-	-	158	-	158	(14)	144
571	264	538	39	879	3	3,086	39	3,125

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended June 30, 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	1,375	1,057	13	2
Interest expense from external	109	-	-	23
Interest income, net:				
From external	1,266	1,057	13	(21)
Inter-segmental	(641)	(779)	-	31
Total interest income, net	625	278	13	10
Total noninterest income	246	16	61	43
Total income	871	294	74	53
Loan loss expenses (income)	(4)	(8)	(3)	-
Operating and other expenses:				
For external	699	81	48	24
Inter-segmental	6	-	-	-
Total operating and other expenses	705	81	48	24
Profit (loss) before taxes	170	221	29	29
Provision for income taxes (benefit)	61	79	11	10
Profit (loss) after taxes	109	142	18	19
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	109	142	18	19
Net income (loss) attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	109	142	18	19
Average balance of assets[b]	119,380	93,151	3,644	372
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	120,234	93,457	3,684	363
Outstanding loans to the public as at the end of the reporting period	123,193	96,238	3,719	388
Outstanding non-performing debts[f]	218	20	2	-
Outstanding debts in arrears of over 90 days	704	666	-	-
Average outstanding liabilities[b]	122,811	16	4	25,665
Of which: Average balance of deposits by the public[b]	122,748	-	-	25,663
Balance of deposits by the public as at the end of the reporting period	121,760	-	-	25,923
Average balance of risk-weighted assets[b][c]	79,910	57,477	3,502	714
Balance of risk-weighted assets as at the end of the reporting period[c]	82,121	59,443	3,305	696
Average balance of assets under management[b][d]	63,556	-	-	49,488
Breakdown of interest income, net:				
Margin from credit granting activities	563	278	13	2
Margin from deposit taking activities	62	-	-	8
Other	-	-	-	-
Total interest income, net	625	278	13	10

(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 15.3 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), please see Note 1.B.2.

							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
495	226	581	3	293	-	2,975	251	3,226
-	10	66	76	159	-	443	9	452
495	216	515	(73)	134	-	2,532	242	2,774
(51)	(27)	(128)	85	727	1	(3)	3	-
444	189	387	12	861	1	2,529	245	2,774
198	78	139	45	668	56	1,473	59	1,532
642	267	526	57	1,529	57	4,002	304	4,306
(65)	(22)	(49)	(1)	(15)	-	(156)	(2)	(158)
395	112	111	56	95	176	1,668	190	1,858
-	-	-	2	(7)	-	1	(1)	-
395	112	111	58	88	176	1,669	189	1,858
312	177	464	-	1,456	(119)	2,489	117	2,606
114	64	168	-	525	(19)	923	27	950
198	113	296	-	931	(100)	1,566	90	1,656
-	-	-	-	22	-	22	-	22
198	113	296	-	953	(100)	1,588	90	1,678
-	-	-	-	-	-	-	11	11
198	113	296	-	953	(100)	1,588	79	1,667
53,358	30,835	80,207	4,765	246,115	8,856	543,888	33,448	577,336
-	-	-	-	766	-	766	-	766
54,068	31,252	80,494	4,768	-	-	291,179	23,326	314,505
54,713	31,505	84,771	2,732	-	-	297,302	22,998	320,300
457	383	1,564	-	-	-	2,622	522	3,144
46	10	-	-	-	-	760	-	760
81,832	54,658	73,962	88,515	47,995	13,730	509,168	28,059	537,227
81,738	54,577	70,903	86,313	-	-	441,942	26,745	468,687
82,707	58,298	77,868	94,099	-	-	460,655	26,427	487,082
51,855	34,170	100,050	818	29,333	18,175	315,025	29,698	344,723
51,949	34,866	102,617	923	30,332	17,762	321,266	29,370	350,636
78,288	27,799	86,975	920,106	50,867	-	1,277,079	18,089	1,295,168
422	179	379	4	1,132	1	2,682	222	2,904
22	10	8	8	(387)	-	(269)	(9)	(278)
-	-	-	-	116	-	116	32	148
444	189	387	12	861	1	2,529	245	2,774

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the six months ended June 30, 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	3,184	2,507	26	4
Interest expense from external	175	-	-	44
Interest income, net:				
From external	3,009	2,507	26	(40)
Inter-segmental	(1,590)	(1,903)	-	85
Total interest income, net	1,419	604	26	45
Total noninterest income	501	25	130	81
Total income	1,920	629	156	126
Loan loss expenses (income)	22	7	6	-
Operating and other expenses:				
For external	1,315	177	116	48
Inter-segmental	1	1	-	-
Total operating and other expenses	1,316	178	116	48
Profit (loss) before taxes	582	444	34	78
Provision for income taxes (benefit)	202	151	13	26
Profit after taxes	380	293	21	52
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income before attribution to non-controlling interests	380	293	21	52
Net income attributable to non-controlling interests	-	-	-	-
Net income attributable to the Bank's shareholders	380	293	21	52
Average balance of assets[b]	134,892	106,751	3,991	452
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	135,608	107,080	4,020	444
Outstanding loans to the public as at the end of the reporting period	142,360	112,878	4,128	443
Outstanding non-performing debts	702	514	26	-
Outstanding debts in arrears of over 90 days	65	-	-	-
Average outstanding liabilities[b]	121,975	49	4	26,373
Of which: Average balance of deposits by the public[b]	121,886	-	-	26,371
Balance of deposits by the public as at the end of the reporting period	124,928	-	-	28,226
Average balance of risk-weighted assets[b][c]	88,429	64,798	3,508	725
Balance of risk-weighted assets as at the end of the reporting period[c]	94,291	69,187	3,542	855
Average balance of assets under management[b][d]	64,008	1,737	-	50,626
Breakdown of interest income, net:				
Spread from granting loans to the public	1,208	604	26	6
Margin from deposit taking from the public	211	-	-	39
Other	-	-	-	-
Total interest income, net	1,419	604	26	45

(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 17.6 billion to customers whose business activity is classified to business segments.

Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations[a] Total activity outside Israel	Total
1,094	514	1,449	12	805	-	7,062	325	7,387
88	82	199	220	540	-	1,348	15	1,363
1,006	432	1,250	(208)	265	-	5,714	310	6,024
35	49	(261)	268	1,432	5	23	(23)	-
1,041	481	989	60	1,697	5	5,737	287	6,024
445	186	318	98	784	(3)	2,410	97	2,507
1,486	667	1,307	158	2,481	2	8,147	384	8,531
85	13	(83)	1	61	-	99	(13)	86
791	224	233	99	200	310	3,220	215	3,435
-	-	-	3	5	(9)	-	-	-
791	224	233	102	205	301	3,220	215	3,435
610	430	1,157	55	2,215	(299)	4,828	182	5,010
212	148	395	18	757	(314)	1,444	46	1,490
398	282	762	37	1,458	15	3,384	136	3,520
-	-	-	-	91	-	91	-	91
398	282	762	37	1,549	15	3,475	136	3,611
-	-	-	-	-	-	-	10	10
398	282	762	37	1,549	15	3,475	126	3,601
59,088	35,902	106,174	3,504	282,732	8,925	631,669	19,581	651,250
-	-	-	-	1,108	-	1,108	-	1,108
59,767	36,211	107,168	3,508	-	-	342,706	15,050	357,756
63,868	37,851	117,706	1,525	-	-	363,753	6,058	369,811
366	245	1,238	2	-	-	2,553	34	2,587
32	-	-	-	-	-	97	199	296
90,798	63,084	89,384	124,750	65,231	12,705	594,300	14,527	608,827
90,695	63,006	86,814	124,202	-	-	512,974	13,987	526,961
96,238	68,999	90,380	123,549	-	-	532,320	417	532,737
55,324	39,244	120,959	1,342	30,857	17,226	354,106	30,677	384,783
60,869	41,669	143,269	275	32,342	17,870	391,440	7,729	399,169
79,666	32,890	124,645	1,034,130	59,143	-	1,445,108	9,347	1,454,455
919	408	934	10	2,766	5	6,256	295	6,551
122	73	55	50	(1,347)	-	(797)	(14)	(811)
-	-	-	-	278	-	278	6	284
1,041	481	989	60	1,697	5	5,737	287	6,024

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the six months ended June 30, 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	2,295	1,668	26	4
Interest expense from external	152	-	-	40
Interest income, net:				
From external	2,143	1,668	26	(36)
Inter-segmental	(920)	(1,126)	-	57
Total interest income, net	1,223	542	26	21
Total noninterest income	504	29	119	85
Total income	1,727	571	145	106
Loan loss expenses (income)	(36)	(28)	(5)	-
Operating and other expenses:				
For external	1,395	156	105	50
Inter-segmental	12	-	-	-
Total operating and other expenses	1,407	156	105	50
Profit (loss) before taxes	356	443	45	56
Provision for income taxes (benefit)	126	159	17	20
Profit (loss) after taxes	230	284	28	36
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	230	284	28	36
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	230	284	28	36
Average balance of assets[(b)]	117,266	91,563	3,515	356
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	118,073	91,887	3,555	348
Outstanding loans to the public as at the end of the reporting period	123,193	96,238	3,719	388
Outstanding non-performing debts[(f)]	218	20	2	-
Outstanding debts in arrears of over 90 days	704	666	-	-
Average outstanding liabilities[(b)]	122,379	16	6	25,729
Of which: Average balance of deposits by the public[(b)]	122,315	-	-	25,727
Balance of deposits by the public as at the end of the reporting period	121,760	-	-	25,923
Average balance of risk-weighted assets[(b)(c)]	79,439	56,906	3,651	705
Balance of risk-weighted assets as at the end of the reporting period[(c)]	82,121	59,443	3,305	696
Average balance of assets under management[(b)(d)]	63,156	-	-	47,894
Breakdown of interest income, net:				
Spread from granting loans to the public	1,108	542	26	3
Margin from deposit taking from the public	115	-	-	18
Other	-	-	-	-
Total interest income, net	1,223	542	26	21

(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 15.3 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]	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
965	451	1,093	6	529	-	5,343	495	5,838
18	26	103	115	241	-	695	21	716
947	425	990	(109)	288	-	4,648	474	5,122
(74)	(49)	(229)	134	1,077	(1)	(5)	5	-
873	376	761	25	1,365	(1)	4,643	479	5,122
403	156	280	91	1,152	115	2,786	120	2,906
1,276	532	1,041	116	2,517	114	7,429	599	8,028
(108)	(63)	(185)	(1)	9	-	(384)	14	(370)
792	229	213	110	190	348	3,327	370	3,697
-	-	-	5	(16)	-	1	(1)	-
792	229	213	115	174	348	3,328	369	3,697
592	366	1,013	2	2,334	(234)	4,485	216	4,701
216	134	368	-	837	(47)	1,654	49	1,703
376	232	645	2	1,497	(187)	2,831	167	2,998
-	-	-	-	29	-	29	-	29
376	232	645	2	1,526	(187)	2,860	167	3,027
-	-	-	-	-	-	-	20	20
376	232	645	2	1,526	(187)	2,860	147	3,007
52,271	30,284	77,512	4,809	242,848	9,836	535,182	31,340	566,522
-	-	-	-	781	-	781	-	781
52,913	30,621	78,684	4,811	-	-	285,450	22,795	308,245
54,713	31,505	84,771	2,732	-	-	297,302	22,998	320,300
457	383	1,564	-	-	-	2,622	522	3,144
46	10	-	-	-	-	760	-	760
80,336	51,768	73,585	84,109	49,411	14,123	501,440	25,945	527,385
80,241	51,687	69,890	83,553	-	-	433,413	24,484	457,897
82,707	58,298	77,868	94,099	-	-	460,655	26,427	487,082
50,496	33,488	97,461	786	28,068	18,340	308,783	29,007	337,790
51,949	34,866	102,617	923	30,332	17,762	321,266	29,370	350,636
74,925	27,173	87,129	893,442	44,307	-	1,238,026	16,976	1,255,002
827	358	745	9	1,765	(1)	4,814	438	5,252
46	18	16	16	(661)	-	(432)	(21)	(453)
-	-	-	-	261	-	261	62	323
873	376	761	25	1,365	(1)	4,643	479	5,122

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 17.6 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]	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
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 June 30, 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	246	290	536	1,424	396	353	377	(49)	4	28	56	3,125
Inter-segmental	399	47	446	(1,095)	60	(154)	(113)	872	(2)	3	(17)	-
Interest income, net	645	337	982	329	456	199	264	823	2	31	39	3,125
Noninterest income (expenses)	375	124	499	13	148	64	90	(88)	737	70	24	1,557
Total income	1,020	461	1,481	342	604	263	354	735	739	101	63	4,682
Loan loss expenses (income)	73	59	132	(1)	22	(36)	(36)	62	(7)	(8)	(2)	126
Total operating and other expenses	659	268	927	92	170	70	36	108	163	47	28	1,641
Profit before tax	288	134	422	251	412	229	354	565	583	62	37	2,915
Provision for profit tax	99	45	144	86	141	78	121	192	209	31	5	1,007
Net income attributable to the Bank's shareholders	189	89	278	165	271	151	233	406	374	82	32	1,992

Note 12B - Operating Segments - Management Approach (cont.)

Summary of financial performance according to management approach (cont.)

	For the three months ended June 30, 2021 (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	234	264	498	1,051	347	269	283	55	6	25	240	2,774
Inter-segmental	233	19	252	(715)	(9)	(100)	(54)	625	(1)	-	2	-
Interest income, net	467	283	750	336	338	169	229	680	5	25	242	2,774
Noninterest income	343	110	453	6	114	56	78	241	60	463	61	1,532
Total income	810	393	1,203	342	452	225	307	921	65	488	303	4,306
Loan loss expenses (income)	4	(33)	(29)	(10)	(40)	(87)	(5)	19	(6)	3	(3)	(158)
Total operating and other expenses	690	244	934	82	182	63	36	104	214	54	189	1,858
Profit (loss) before tax	116	182	298	270	310	249	276	798	(143)	431	117	2,606
Provision for taxes	39	62	101	92	106	85	94	272	69	104	27	950
Net income (loss) attributable to the Bank's shareholders	77	120	197	178	204	164	182	527	(212)	348	79	1,667

Note 12B - Operating Segments - Management Approach (cont.)

Summary of financial performance according to management approach (cont.)

	For the six months ended June 30, 2022 (unaudited)											
	The Bank									Subsid-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	525	559	1,084	2,489	761	629	684	(3)	7	61	312	6,024
Inter-segmental	614	72	686	(1,802)	67	(234)	(149)	1,459	(3)	1	(25)	-
Interest income, net	1,139	631	1,770	687	828	395	535	1,456	4	62	287	6,024
Noninterest income (expenses)	748	245	993	18	296	123	194	(166)	728	224	97	2,507
Total income	1,887	876	2,763	705	1,124	518	729	1,290	732	286	384	8,531
Loan loss expenses (income)	23	15	38	(2)	126	(33)	(87)	72	(10)	(5)	(13)	86
Total operating and other expenses	1,306	509	1,815	177	348	136	71	204	373	96	215	3,435
Profit before tax	558	352	910	530	650	415	745	1,014	369	195	182	5,010
Provision (benefit) for taxes	191	120	311	181	222	142	255	346	(77)	64	46	1,490
Net income attributable to the Bank's shareholders	367	232	599	349	428	273	490	701	446	189	126	3,601

Balances as at June 30, 2022												
Loans to the public, net	32,106	26,546	58,652	114,209	59,536	53,266	50,478	16,348	5,535	875	6,025	364,924
Deposits by the public	195,101	52,927	248,028	-	97,874	30,764	13,244	142,407	3	-	417	532,737

Note 12B - Operating Segments - Management Approach (cont.)

Summary of financial performance according to management approach (cont.)

	For the six months ended June 30, 2021 (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	520	529	1,049	1,664	675	541	517	148	7	48	473	5,122
Inter-segmental	398	33	431	(1,012)	(13)	(180)	(72)	843	(1)	1	3	-
Interest income, net	918	562	1,480	652	662	361	445	991	6	49	476	5,122
Noninterest income	706	223	929	10	227	113	156	629	149	571	122	2,906
Total income	1,624	785	2,409	662	889	474	601	1,620	155	620	598	8,028
Loan loss expenses (income)	(7)	(85)	(92)	(25)	(44)	(155)	(126)	55	-	4	13	(370)
Total operating and other expenses	1,381	480	1,861	157	371	137	65	207	428	102	369	3,697
Profit (loss) before tax	250	390	640	530	562	492	662	1,358	(273)	514	216	4,701
Provision for profit tax	85	133	218	181	192	168	226	464	81	124	49	1,703
Net income (loss) attributable to the Bank's shareholders	165	257	422	349	370	324	436	896	(354)	417	147	3,007

Balances as at June 30, 2021												
Loans to the public, net	28,997	24,650	53,647	97,212	47,642	41,043	36,822	10,260	5,225	786	22,596	315,233
Deposits by the public	184,084	49,430	233,514	-	82,287	28,543	12,384	103,924	3	-	26,427	487,082

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									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	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 for profit 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.

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 June 30, 2022 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period[b]	4,299	317	699	5,315	34	5,349
Loan loss expenses	42	14	63	119	7	126
Charge-offs	(130)	(9)	(89)	(228)	-	(228)
Collection of debts written off in previous years	102	-	64	166	-	166
Net charge-offs	(28)	(9)	(25)	(62)	-	(62)
Outstanding loan loss provision as at the end of the reporting period[1]	4,313	322	737	5,372	41	5,413
[1]Of which: in respect of off-balance-sheet credit instruments	468	1	16	485	1	486

	For the three months ended June 30, 2021 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks and governments	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,241	614	776	5,631	3	5,634
Loan loss expenses (income)	(153)	(8)	4	(157)	(1)	(158)
Charge-offs	(136)	(1)	(68)	(205)	-	(205)
Collection of debts written off in previous years	150	-	65	215	-	215
Net charge-offs	14	(1)	(3)	10	-	10
Adjustments from translation of financial statements	(5)	-	-	(5)	-	(5)
Outstanding loan loss provision as at the end of the reporting period[1]	4,097	605	777	5,479	2	5,481
[1]Of which: in respect of off-balance-sheet credit instruments	396	-	16	412	-	412

(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) The balance of the loan loss provision as of the beginning of the period is presented less assets classified as held for sale as of March 31, 2022. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts[(a)] and off-balance-sheet credit instruments (cont.)

1. Change in balance of loan loss provision (cont.)

	For the six months ended June 30, 2022 (unaudited)					
	Loan loss provision					
	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					
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	43	7	15	65	21	86
Charge-offs	(297)	(9)	(167)	(473)	-	(473)
Collection of debts written off in previous years	269	-	140	409	-	409
Net charge-offs	(28)	(9)	(27)	(64)	-	(64)
Adjustments from translation of financial statements	5	-	-	5	-	5
Less balances of the subsidiary in the United States that was sold[(c)]	(276)	-	-	(276)	(9)	(285)
Outstanding loan loss provision as at the end of the reporting period[1]	4,313	322	737	5,372	41	5,413
[1]Of which: in respect of off-balance-sheet credit instruments	468	1	16	485	1	486

	For the six months ended June 30, 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 income	(333)	(27)	(9)	(369)	(1)	(370)
Charge-offs	(250)	(4)	(142)	(396)	-	(396)
Collection of debts written off in previous years	391	-	136	527	-	527
Net charge-offs	141	(4)	(6)	131	-	131
Adjustments from translation of financial statements	5	-	-	5	-	5
Outstanding loan loss provision as at the end of the reporting period[1]	4,097	605	777	5,479	2	5,481
[1]Of which: in respect of off-balance-sheet credit instruments	396	-	16	412	-	412

(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) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For more information, please see Note 16.A.

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

	June 30, 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:[(a)]						
Examined on a specific basis	202,153	-	407	202,560	97,288	299,848
Examined on a collective basis	25,274	113,077	28,900	167,251	4	167,255
Total debts[(a)]	227,427	113,077	29,307	369,811	97,292	467,103
Outstanding loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	3,294	-	143	3,437	40	3,477
Examined on a collective basis	551	321	578	1,450	-	1,450
Total loan loss provision	3,845	321	721	4,887	40	4,927

	June 30, 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:[(a)]						
Examined on a specific basis	155,164	-	872	156,036	97,565	253,601
Examined on a collective basis	41,618	96,496	26,150	164,264	2,488	166,752
Total debts[(a)]	196,782	96,496	27,022	320,300	100,053	420,353
Outstanding loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	3,060	-	246	3,306	2	3,308
Examined on a collective basis	641	605	515	1,761	-	1,761
Total loan loss provision	3,701	605	761	5,067	2	5,069

(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.A.

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, govern-ments and held-to-maturity bonds and available-for-sale	
	Com-mercial	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	43,157	103,688	27,081	173,926	1,708	175,634
Total debts[(a)]	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	3,312	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

	June 30, 2022 (unaudited)					
		Troubled[a]			Performing debts - additional information	
	Performing	Performing	Non-performing	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	49,503	127	83	49,713	5	81
Construction & real estate - real estate activities	38,142	61	113	38,316	2	-
Financial services	25,541	16	5	25,562	1	16
Commercial - Other	91,112	1,477	853	93,442	24	99
Commercial - total	**204,298**	**1,681**	**1,054**	**207,033**	**32**	**196**
Private individuals - housing loans	112,488	52	514	113,054	-	425
Private individuals - other	28,555	492	188	29,235	65	159
Total loans to the public - activity in Israel	**345,341**	**2,225**	**1,756**	**349,322**	**97**	**780**
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	5,824	-	175	5,999	-	1
Commercial - Other	12,491	1,249	655	14,395	199	328
Commercial - total	**18,315**	**1,249**	**830**	**20,394**	**199**	**329**
Private individuals	94	-	1	95	-	-
Total, public - foreign activity	**18,409**	**1,249**	**831**	**20,489**	**199**	**329**
Total loans to the public	**363,750**	**3,474**	**2,587**	**369,811**	**296**	**1,109**

(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 444 million, were classified as troubled debts.

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.)

	June 30, 2021 (unaudited)[d]					
		Troubled[a]			Performing debts - additional information	
	Performing	Performing	Non-performing	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	33,651	139	59	33,849	4	32
Construction & real estate - real estate activities	31,457	140	161	31,758	25	26
Financial services	19,100	8	3	19,111	1	2
Commercial - Other	74,799	1,723	1,138	77,660	26	87
Commercial - total	159,007	2,010	1,361	162,378	56	147
Private individuals - housing loans	95,698	667	20	96,385	666	502
Private individuals - other	26,034	446	198	26,678	38	113
Total loans to the public - activity in Israel	280,739	3,123	1,579	285,441	760	762
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	12,477	582	294	13,353	-	109
Commercial - Other	18,978	803	1,270	21,051	-	106
Commercial - total	31,455	1,385	1,564	34,404	-	215
Private individuals	454	-	1	455	-	-
Total, public - foreign activity	31,909	1,385	1,565	34,859	-	215
Total loans to the public	312,648	4,508	3,144	320,300	760	977

(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 225 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	Performing	Non-performing	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

	June 30, 2022 (unaudited)								
	Recorded outstanding debt of fixed loans to the public[(a)]						Recorded outstand-ing debt of renewed loans	Recorded outstand-ing 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	31,758	11,714	5,431	3,908	2,343	4,259	27,076	1,540	88,029
Non-troubled credit	31,730	11,663	5,371	3,873	2,305	4,155	27,023	1,525	87,645
Troubled performing debt	15	33	38	22	10	34	35	1	188
Non-performing credit	13	18	22	13	28	70	18	14	196
Commercial - other, total	41,756	20,713	12,515	5,729	3,031	6,265	27,872	1,123	119,004
Non-troubled credit	41,435	20,368	12,096	5,515	2,817	5,824	27,514	1,084	116,653
Troubled performing debt	247	243	238	139	202	195	219	10	1,493
Non-performing credit	74	102	181	75	12	246	139	29	858
Private individuals - housing loans - total	17,174	25,948	15,446	10,536	6,939	37,011	-	-	113,054
LTV of up to 60%	8,946	14,311	9,490	6,875	4,638	24,095	-	-	68,355
LTV of more than 60% and up to 75%	8,188	11,568	5,898	3,606	2,252	11,674	-	-	43,186
LTV of more than 75%	40	69	58	55	49	1,242	-	-	1,513
Non-delinquent credit	17,129	25,886	15,370	10,475	6,885	36,369	-	-	112,114
In arrears of 30-89 days	34	43	47	24	26	252	-	-	426
Non-performing credit	11	19	29	37	28	390	-	-	514
Private individuals - other - total	6,511	8,601	4,175	2,074	938	636	6,130	170	29,235
Non-delinquent credit	6,489	8,479	4,107	2,023	910	618	6,044	153	28,823
In arrears of 30-89 days	13	52	21	17	9	5	42	-	159
In arrears of over 90 days	3	18	6	5	3	1	29	-	65
Non-performing credit	6	52	41	29	16	12	15	17	188
Total loans to the public - activity in Israel	97,199	66,976	37,567	22,247	13,251	48,171	61,078	2,833	349,322
Total loans to the public - activity abroad	11,298	3,971	691	984	134	79	3,323	9	20,489
Non-troubled credit	10,765	3,463	418	444	120	22	3,168	9	18,409
Troubled performing debt	407	385	148	303	-	-	6	-	1,249
Non-performing credit	126	123	125	237	14	57	149	-	831
Total loans to the public	108,497	70,947	38,258	23,231	13,385	48,250	64,401	2,842	369,811

(a) 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]

	June 30, 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	134	40	62	196	1,021	-
Commercial - Other	610	191	248	858	2,742	2
Commercial - total	744	231	310	1,054	3,763	2
Private individuals - housing loans	514	69	-	514	782	-
Private individuals - other	188	150	-	188	450	-
Total loans to the public - activity in Israel	1,446	450	310	1,756	4,995	2
Borrower activity outside Israel						
Total, public - foreign activity	830	171	1	831	982	2
Total - public[1]	2,276	621	311	2,587	5,977	4
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	1,630	513	275	1,905	4,119	
Measured on a specific basis according to fair value of collateral	132	38	36	168	1,076	
Measured on a collective basis	514	69	-	514	782	

(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 reporting period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 226 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the six months ended June 30, 2022 is NIS 2,643 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.)

	June 30, 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	124	18	96	220	1,262	1
Commercial - Other	901	388	240	1,141	3,161	1
Commercial - total	1,025	406	336	1,361	4,423	2
Private individuals - housing loans	20	6	-	20	20	-
Private individuals - other	197	156	1	198	660	-
Total loans to the public - activity in Israel	1,242	568	337	1,579	5,103	2
Borrower activity outside Israel						
Total, public - foreign activity	1,506	436	59	1,565	1,661	2
Total - public[1]	2,748	1,004	396	3,144	6,764	4
[1]Of which:						
Measured according to the present value of cash flows	2,210	835	347	2,557	5,150	-
Measured according to fair value of collateral	518	163	49	567	1,594	-
Measured on a collective basis	20	6	-	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 reporting 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 230 million would be recorded.

Additional information: the total recorded average debt balance of non-performing debts in the six months ended June 30, 2021 is NIS 3,019 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 reporting 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 year ended December 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 June 30, 2022				As at June 30, 2021			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Accrual[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**	**21**	**132**	134	2	27	163
Commercial - Other	**587**	**4**	**183**	**774**	707	9	190	906
Commercial - total	**696**	**6**	**204**	**906**	841	11	217	1,069
Private individuals - housing loans	**96**	**1**	**51**	**148**	-	-	-	-
Private individuals - other	**170**	**4**	**190**	**364**	181	5	155	341
Total loans to the public - activity in Israel	**962**	**11**	**445**	**1,418**	1,022	16	372	1,410
Borrower activity outside Israel								
Total public - foreign operations	**617**	**-**	**7**	**624**	1,106	-	1	1,107
Total - public	**1,579**	**11**	**452**	**2,042**	2,128	16	373	2,517

	December 31, 2021			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Accrual[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.

Comment: As of June 30, 2022, troubled debt which underwent restructuring in the amount of NIS 1,803 million (as of June 30, 2021 - NIS 2,517 million, as of 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 June 30 (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	**78**	**12**	**11**	55	18	18
Commercial - Other	**322**	**43**	**42**	252	57	55
Commercial - total	**400**	**55**	**53**	307	75	73
Private individuals - housing loans	**32**	**10**	**10**	-	-	-
Private individuals - other	**1,460**	**71**	**70**	1,081	57	56
Total loans to the public - activity in Israel	**1,892**	**136**	**133**	1,388	132	129
Borrower activity outside Israel						
Total, public - foreign activity	**-**	**-**	**-**	-	-	-
Total - public	**1,892**	**136**	**133**	1,388	132	129

	For the six months ended June 30 (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	**139**	**21**	**20**	106	34	34
Commercial - Other	**628**	**101**	**99**	565	363	361
Commercial - total	**767**	**122**	**119**	671	397	395
Private individuals - housing loans	**82**	**27**	**27**	-	-	-
Private individuals - other	**2,927**	**132**	**131**	2,289	127	126
Total loans to the public - activity in Israel	**3,776**	**281**	**277**	2,960	524	521
Borrower activity outside Israel						
Total, public - foreign activity	**2**	**1**	**1**	1	10	10
Total - public	**3,778**	**282**	**278**	2,961	534	531

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.)

2. Failed restructuring[a]

	For the three months ended June 30 (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	**32**	**2**	37	6
Commercial - Other	**151**	**13**	187	27
Commercial - total	**183**	**15**	224	33
Private individuals - housing loans	**12**	**2**	-	-
Private individuals - other	**585**	**16**	467	14
Total loans to the public - activity in Israel	**780**	**33**	691	47
Borrower activity outside Israel				
Total public - foreign operations	**-**	**-**	-	-[b]
Total - public	**780**	**33**	691	47

	For the six months ended June 30 (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	**76**	**11**	88	11
Commercial - Other	**315**	**28**	464	67
Commercial - total	**391**	**39**	552	78
Private individuals - housing loans	**23**	**4**	-	-
Private individuals - other	**1,165**	**34**	1,021	31
Total loans to the public - activity in Israel	**1,579**	**77**	1,573	109
Borrower activity outside Israel				
Total public - foreign operations	**-**	**-**	1	-[b]
Total - public	**1,579**	**77**	1,574	109

(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

	June 30, 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	1,673	39	19	146	3	3	1	1,884
Housing loans	57	214	120	97	19	3	4	514
Private individuals - other	186	3	-	-	-	-	-	189
Total	1,916	256	139	243	22	6	5	2,587

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

		June 30, 2022 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest	Total off-balance sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	**68,364**	**1,425**	**43,232**	**2,259**
	More than 60%	**44,708**	**761**	**28,020**	**2,362**
Secondary lien or unpledged		**5**	**-**	**4**	**-**
Total		**113,077**	**2,186**	**71,256**	**4,621**

		June 30, 2021 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest	Total off-balance sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	60,925	1,576	38,318	1,697[(b)]
	More than 60%	35,567	671	22,675	1,733[(b)]
Secondary lien or unpledged		4	-	3	-
Total		96,496	2,247	60,996	3,430

		December 31, 2021 (audited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest	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
Secondary lien or unpledged		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) Reclassified.

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

C. Off-Balance-Sheet Financial Instruments

	June 30				December 31	
	2022		2021		2021	
	Outstanding loan contracts [(a)]	Outstanding loan loss provision	Outstanding loan contracts [(a)]	Outstanding loan loss provision	Outstanding loan contracts [(a)]	Outstanding loan loss provision
	Unaudited				Audited	
	In NIS million					
Off-balance-sheet financial instruments						
Transactions in which the outstanding balance embodies credit risk:						
Documentary credit	**1,133**	**1**	1,816	4	1,640	3
Loan guarantees	**6,350**	**68**	5,763	69	6,048	83
Guarantees for apartment buyers	**33,887**	**15**	24,015	21	28,061	29
Guarantees and other commitments[(b)]	**22,139**	**71**	17,463	150	19,086	148
Unutilized credit card credit facilities	**8,931**	**17**	8,131	7	8,001	7
Unutilized current loan account facilities and other credit facilities in demand accounts	**12,995**	**38**	12,723	25	13,643	27
Irrevocable loan commitments approved but not yet granted	**43,736**	**221**	38,758	119	43,332	152
Commitments to issue guarantees	**22,202**	**55**	18,304	17	18,579	20
Unutilized credit facilities for derivatives activity	**2,783**	**-**	2,577	-	2,912	-
Approval in principle to maintain interest rate[(c)]	**7,846**	**-**	9,222	-	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 646 million (as of June 30, 2021 and as of December 31, 2021 in the amounts of NIS 452 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".

Note 13 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

D. Guarantees by Repayment Date

	June 30, 2022 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	**4,696**	**843**	**188**	**623**	**6,350**
Guarantees for apartment buyers	**-**	**33,887**	**-**	**-**	**33,887**
Guarantees and other commitments	**12,954**	**5,548**	**1,640**	**1,997**	**22,139**
Total guarantees	**17,650**	**40,278**	**1,828**	**2,620**	**62,376**

	June 30, 2021 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	4,018	1,108	143	494	5,763
Guarantees for apartment buyers	-	24,015	-	-	24,015
Guarantees and other commitments	10,051	5,006	1,276	1,130	17,463
Total guarantees	14,069	30,129	1,419	1,624	47,241

	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

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 approx. NIS 320 million (as of June 30, 2021 - NIS 335 million, as of December 31, 2021 - NIS 304 million). In addition, the balance of securities and other marketable assets held as collateral, totaled NIS 8 million (as of June 30, 2021 - NIS 12 million, December 31, 2021 - NIS 9 million).

Note 14 - Assets and Liabilities by Linkage Basis

	June 30, 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	157,179	-	9,100	1,291	2,033	2,345	171,948
Securities	26,901	5,065	42,109	4,441	4,250	4,402	87,168
Securities borrowed or purchased under reverse repurchase agreements	1,000	-	991	15	-	-	2,006
Loans to the public, net[c]	280,233	51,460	19,255	4,349	7,219	2,408	364,924
Loans to governments	353	198	482	281	-	-	1,314
Investments in associates	-	-	-	-	-	4,438	4,438
Buildings and equipment	-	-	-	-	-	2,678	2,678
Assets in respect of derivatives	3,444	278	14,449	306	144	8,351	26,972
Goodwill	-	-	-	-	-	-	-
Other assets	5,287	4	14	3	23	901	6,232
Total assets	474,397	57,005	86,400	10,686	13,669	25,523	667,680
Liabilities							
Deposits by the public	375,770	10,105	127,372	10,187	4,586	4,717	532,737
Deposits by banks	20,230	-	2,440	794	198	39	23,701
Deposits by governments	235	-	90	7	-	-	332
Securities loaned or sold under repurchase agreements	393	-	2,469	-	-	-	2,862
Bonds, promissory notes and subordinated bonds	5,802	15,215	2,661	-	-	-	23,678
Liabilities for derivatives	5,040	602	9,741	72	94	8,405	23,954
Other liabilities	3,731	8,932	86	41	118	443	13,351
Total liabilities	411,201	34,854	144,859	11,101	4,996	13,604	620,615
Difference[d]	63,196	22,151	(58,459)	(415)	8,673	11,919	47,065
Effect of hedging derivatives:							
Derivatives (excluding options)	391	(391)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(37,023)	(3,321)	49,002	(3)	(9,100)	445	-
In the money options, net (according to underlying asset)	(1,458)	-	1,679	(117)	(104)	-	-
Out of the money options, net (according to underlying asset)	(388)	-	277	61	(40)	90	-
Grand total	24,718	18,439	(7,501)	(474)	(571)	12,454	47,065
In the money options, net (discounted nominal value)	(1,884)	-	2,133	(122)	(127)	-	-
Out of the money options, net (discounted nominal value)	(2,437)	-	2,253	263	(195)	116	-

(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 4,887 million.
(d) Shareholders' equity includes non-controlling interests.

Note 14 - Assets and Liabilities by Linkage Basis (cont.)

	June 30, 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	146,609	-	9,173	1,449	1,985	1,730	160,946
Securities	26,912	5,308	46,110	3,547	4,754	4,843	91,474
Securities borrowed or purchased under reverse repurchase agreements	1,074	-	4,647	-	-	-	5,721
Loans to the public, net[c]	225,955	45,956	30,987	3,504	6,189	2,642	315,233
Loans to governments	3	199	545	198	-	-	945
Investments in associates	-	-	-	-	-	854	854
Buildings and equipment	-	-	-	-	-	2,763	2,763
Assets in respect of derivatives	2,923	89	3,584	124	214	4,282	11,216
Goodwill	-	-	-	-	-	15	15
Other assets	6,121	4	840	-	35	1,255	8,255
Total assets	409,597	51,556	95,886	8,822	13,177	18,384	597,422
Liabilities							
Deposits by the public	326,581	10,935	129,231	10,329	5,640	4,366	487,082
Deposits by banks	18,322	-	2,677	1,029	85	27	22,140
Deposits by governments	123	-	84	12	-	-	219
Securities loaned or sold under repurchase agreements	562	-	252	-	-	-	814
Bonds, promissory notes and subordinated bonds	2,859	7,861	2,479	-	-	-	13,199
Liabilities for derivatives	3,604	284	2,905	192	308	4,262	11,555
Other liabilities	7,951	11,826	796	21	120	407	21,121
Total liabilities	360,002	30,906	138,424	11,583	6,153	9,062	556,130
Difference[d]	49,595	20,650	(42,538)	(2,761)	7,024	9,322	41,292
Effect of hedging derivatives:							
Derivatives (excluding options)	-	-	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(33,283)	(2,648)	40,436	2,560	(7,612)	547	-
In the money options, net (according to underlying asset)	185	-	(229)	73	(41)	12	-
Out of the money options, net (according to underlying asset)	(759)	-	905	5	(66)	(85)	-
Grand total	15,738	18,002	(1,426)	(123)	(695)	9,796	41,292
In the money options, net (discounted nominal value)	176	-	(298)	107	(59)	74	-
Out of the money options, net (discounted nominal value)	8,839	-	(9,118)	568	(175)	(114)	-

(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 5,067 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

	June 30, 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	171,948	163,268	7,420	767	171,455
Securities[b]	87,168	43,086	37,275	6,150	86,511
Securities borrowed or purchased under reverse repurchase agreements	2,006	2,006	-	-	2,006
Loans to the public, net	364,924	14,943	-	345,194	360,137
Loans to governments	1,314	-	111	1,176	1,287
Assets in respect of derivatives	26,972	3,530	17,232	6,210	26,972
Other financial assets	249	16	-	233	249
Total financial assets	654,581[c]	226,849	62,038	359,730	648,617
Financial liabilities					
Deposits by the public	532,737	25,975	388,298	111,101	525,374
Deposits by banks	23,701	1,090	5,013	16,935	23,038
Deposits by governments	332	-	171	151	322
Securities loaned or sold under repurchase agreements	2,862	2,862	-	-	2,862
Bonds, promissory notes and subordinated bonds	23,678	22,483	-	674	23,157
Liabilities for derivatives	23,954	3,511	20,010	433	23,954
Other financial liabilities	2,824	604	1,063	1,157	2,824
Total financial liabilities	610,088[c]	56,525	414,555	130,451	601,531
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	345	-	-	345	345
In addition, liabilities in respect of employee benefits, net[d]	8,689	-	-	8,689	8,689

(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 155,714 million and NIS 369,005 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 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	June 30, 2021 (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	160,946	151,538	8,073	1,300	160,911
Securities[(b)]	91,474	49,341	38,243	4,305	91,889
Securities borrowed or purchased under reverse repurchase agreements	5,721	5,721	-	-	5,721
Loans to the public, net	315,233	9,280	-	306,775	316,055
Loans to governments	945	-	5	912	917
Assets in respect of derivatives	11,216	2,013	8,033	1,170	11,216
Other financial assets	881	31	-	850	881
Total financial assets	586,416[(c)]	217,924	54,354	315,312	587,590
Financial liabilities					
Deposits by the public	487,082	12,152	367,459	105,434	485,045
Deposits by banks	22,140	2,108	3,942	15,951	22,001
Deposits by governments	219	-	66	154	220
Securities loaned or sold under repurchase agreements	814	814	-	-	814
Bonds, promissory notes and subordinated bonds	13,199	13,256	-	808	14,064
Liabilities for derivatives	11,555	2,038	9,242	275	11,555
Other financial liabilities	6,427	595	4,395	1,437	6,427
Total financial liabilities	541,436[(c)]	30,963	385,104	124,059	540,126
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	307	-	-	307	307
In addition, liabilities in respect of employee benefits, net[(d)(e)]	11,595	-	-	11,595	11,595

(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 151,089 million and NIS 338,988 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) Restated.

Note 15A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	December 31, 2021 (audited)				
	Book balance	Fair value			
		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

	June 30, 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	21,697	4,521	28	26,246
Foreign governments' bonds	8,885	6,694	-	15,579
Bonds of Israeli financial institutions	49	-	-	49
Bonds of foreign financial institutions	-	11,564	-	11,564
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	2,842	4,070	6,912
Other Israeli bonds	463	163	-	626
Other foreign bonds	-	5,098	-	5,098
Total available-for-sale bonds	31,094	30,882	4,098	66,074
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,352	-	-	2,352
Held-for-trading securities:				
Government of Israel bonds	1,785	-	-	1,785
Bonds of Israeli financial institutions	495	-	-	495
Bonds of foreign financial institutions	-	51	-	51
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	24	14	38
Other Israeli bonds	221	-	-	221
Other foreign bonds	-	68	4	72
Equity securities and mutual funds	17	-	-	17
Total held-for-trading securities	2,518	143	18	2,679
Assets in respect of derivatives:				
NIS-CPI contracts	-	137	192	329
Interest rate contracts	181	5,795	15	5,991
Foreign exchange rate contracts	1	8,984	2,639	11,624
Stock contracts	2,726	2,304	3,364	8,394
Commodity- and other contracts	78	12	-	90
MAOF (Israeli financial instruments and futures) market activity	544	-	-	544
Total underlying assets for derivatives	3,530	17,232	6,210	26,972
Other:				
Credit and deposits in respect of loaned securities	11,003	-	-	11,003
Securities borrowed or purchased under reverse repurchase agreements	2,006	-	-	2,006
Other	15	-	-	15
Total - other	13,024	-	-	13,024
Total assets	52,518	48,257	10,326	111,101

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	June 30, 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	-	285	147	432
Interest rate contracts	156	5,825	-	5,981
Foreign exchange rate contracts	-	8,185	279	8,464
Stock contracts	2,740	5,696	7	8,443
Commodity- and other contracts	71	19	-	90
MAOF (Israeli financial instruments and futures) market activity	544	-	-	544
Total liabilities in respect of derivatives	3,511	20,010	433	23,954
Other:				
Deposits in respect of loaned securities	10,789	(25)	-	10,764
Securities loaned or sold under repurchase agreements	2,862	-	-	2,862
Other	604	-	-	604
Total - other	14,255	(25)	-	14,230
Total liabilities	17,766	19,985	433	38,184

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	June 30, 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	27,217	4,704	36	31,957
Foreign governments' bonds	13,819	7,085	-	20,904
Bonds of Israeli financial institutions	-	70	-	70
Bonds of foreign financial institutions	-	9,274	-	9,274
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	5,369	2,464	7,833
Other Israeli bonds	156	109	-	265
Other foreign bonds	-	5,257	-	5,257
Total available-for-sale bonds	41,192	31,868	2,500	75,560
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	3,031	-	-	3,031
Held-for-trading securities:				
Government of Israel bonds	2,228	-	-	2,228
Foreign governments' bonds	1	2	-	3
Bonds of Israeli financial institutions	131	-	-	131
Bonds of foreign financial institutions	-	81	-	81
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	52	17	69
Other Israeli bonds	83	-	-	83
Other foreign bonds	-	41	-	41
Equity securities and mutual funds	24	-	-	24
Total held-for-trading securities	2,467	176	17	2,660
Assets in respect of derivatives:				
NIS-CPI contracts	-	97	139	236
Interest rate contracts	25	3,449	214	3,688
Foreign exchange rate contracts	1	2,232	448	2,681
Stock contracts	1,688	2,226	70	3,984
Commodity- and other contracts	28	29	299	356
MAOF (Israeli financial instruments and futures) market activity	271	-	-	271
Total underlying assets for derivatives	2,013	8,033	1,170	11,216
Other:				
Credit and deposits in respect of loaned securities	7,635	-	-	7,635
Securities borrowed or purchased under reverse repurchase agreements	5,721	-	-	5,721
Other	31	-	-	31
Total - other	13,387	-	-	13,387
Total assets	62,090	40,077	3,687	105,854

Note 15B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	June 30, 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	-	220	60	280
Interest rate contracts	60	3,877	-	3,937
Foreign exchange rate contracts	-	2,540	208	2,748
Stock contracts	1,684	2,281	7	3,972
Commodity- and other contracts	27	324	-	351
MAOF (Israeli financial instruments and futures) market activity	267	-	-	267
Total liabilities in respect of derivatives	2,038	9,242	275	11,555
Other:				
Deposits in respect of loaned securities	7,601	22	2	7,625
Securities loaned or sold under repurchase agreements	814	-	-	814
Other	595	-	-	595
Total - other	9,010	22	2	9,034
Total liabilities	11,048	9,264	277	20,589

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
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 rate 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 rate 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

	June 30, 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	-	-	168	168	115
Total	-	-	168	168	115

	June 30, 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	-	-	567	567	140
Total	-	-	567	567	140

	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 - Changes in items Measured at Fair Value on a Recurring Basis Included in Level 3

	For the three months ended June 30, 2022 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of the period	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 June 30, 2022	Unrealized gain (losses) in respect of instruments held as at June 30, 2022
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	29	1	(2)	-	-	-	-	-	-	28	(2)
Foreign financial institutions	953	-	-	-	-	(953)	-	-	-	-	-
MBS/ABS	3,167	347	(112)	349	-	(143)	-	-	462	4,070	(111)
Total available-for-sale bonds	4,149	348	(114)	349	-	(1,096)	-	-	462	4,098	(113)
Held-for-trading bonds:											
MBS/ABS	13	1	-	-	-	-	-	-	-	14	-
Other foreign entities	-	-	-	-	-	-	-	4	-	4	-
Total held-for-trading bonds	13	1	-	-	-	-	-	4	-	18	-
Assets in respect of derivatives:											
NIS-CPI contracts	190	(5)	-	-	-	-	-	7	-	192	(21)
Interest rate contracts	8	9	-	-	-	(2)	-	-	-	15	22
Foreign exchange rate contracts	897	1,602	-	140	-	-	-	-	-	2,639	2,407
Stock contracts	885	2,479	-	-	-	-	-	-	-	3,364	2,529
Commodity- and other contracts	142	(142)	-	-	-	-	-	-	-	-	-
Total underlying assets for derivatives	2,122	3,943	-	140	-	(2)	-	7	-	6,210	4,937
Total assets	6,284	4,292	(114)	489	-	(1,098)	-	11	462	10,326	4,824
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	126	(43)	-	-	-	-	-	64	-	147	61
Foreign exchange rate contracts	299	(20)	-	-	-	-	-	-	-	279	(20)
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	432	(63)	-	-	-	-	-	64	-	433	41
Total liabilities	432	(63)	-	-	-	-	-	64	-	433	41

(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 as of June 30, 2022, amounted to NIS (113) 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 June 30, 2021 (unaudited)										
	Fair value as at the beginning of the period	Realized/unrealized gains (losses), net, including: 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 June 30, 2021	Unrealized gain (losses) in respect of instruments held as at June 30, 2021
	In NIS million										
Assets											
Available-for-sale securities:											
Israeli Government	34	-	2	-	-	-	-	-	-	36	1
Foreign financial institutions	8	-	-	-	-	-	-	(8)	-	-	-
MBS/ABS	2,711	34	19	715	-	(320)	-	(216)	(479)	2,464	2
Other foreign entities	3	-	-	-	-	-	-	-	(3)	-	-
Total available-for-sale bonds	2,756	34	21	715	-	(320)	-	(224)	(482)	2,500	3
Held-for-trading bonds:											
MBS/ABS	18	1	-	-	-	(2)	-	-	-	17	-
Total held-for-trading bonds	18	1	-	-	-	(2)	-	-	-	17	-
Assets in respect of derivatives:											
NIS-CPI contracts	134	4	-	-	-	-	-	1	-	139	(45)
Interest rate contracts	252	(38)	-	-	-	-	-	-	-	214	(44)
Foreign exchange rate contracts	970	(577)	-	55	-	-	-	-	-	448	(57)
Stock contracts	119	(49)	-	-	-	-	-	-	-	70	(48)
Commodity- and other contracts	2	297	-	-	-	-	-	-	-	299	298
Total underlying assets for derivatives	1,477	(363)	-	55	-	-	-	1	-	1,170	104
Total assets	4,251	(328)	21	770	-	(322)	-	(223)	(482)	3,687	107
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	87	(42)	-	-	-	-	-	15	-	60	20
Foreign exchange rate contracts	188	20	-	-	-	-	-	-	-	208	20
Stock contracts	-	-	7	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	275	(22)	7	-	-	-	-	15	-	275	40
Total - other	3	(1)	-	-	-	-	-	-	-	2	-
Total liabilities	278	(23)	7	-	-	-	-	15	-	277	40

(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 as of June 30, 2021, amounted to NIS 3 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 six months ended June 30, 2022 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	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 June 30, 2022	Unrealized gain (losses) in respect of instruments held as at June 30, 2022
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	31	1	(4)	-	-	-	-	-	-	28	(2)
Foreign financial institutions	32	19	-	933	-	(984)	-	-	-	-	-
MBS/ABS	3,793	396	(163)	715	(19)	(295)	-	-	(357)	4,070	(195)
Other foreign entities	3	-	-	-	-	(3)	-	-	-	-	-
Total available-for-sale bonds	3,859	416	(167)	1,648	(19)	(1,282)	-	-	(357)	4,098	(197)
Held-for-trading bonds:											
MBS/ABS	11	1	-	-	(1)	-	-	3	-	14	-
Others - abroad	-	-	-	-	-	-	-	4	-	4	-
Total held-for-trading bonds	11	1	-	-	(1)	-	-	7	-	18	-
Assets in respect of derivatives:											
NIS-CPI contracts	146	35	-	-	-	-	-	11	-	192	46
Interest rate contracts	124	128	-	-	-	(237)	-	-	-	15	(77)
Foreign exchange rate contracts	728	548	-	1,363	-	-	-	-	-	2,639	2,431
Stock contracts	803	2,561	-	-	-	-	-	-	-	3,364	2,675
Commodity- and other contracts	254	(254)	-	-	-	-	-	-	-	-	-
Total underlying assets for derivatives	2,055	3,018	-	1,363	-	(237)	-	11	-	6,210	5,075
Total assets	5,925	3,435	(167)	3,011	(20)	(1,519)	-	18	(357)	10,326	4,878
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	90	(44)	-	-	-	-	-	101	-	147	62
Foreign exchange rate contracts	284	(5)	-	-	-	-	-	-	-	279	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	381	(49)	-	-	-	-	-	101	-	433	62
Total liabilities	381	(49)	-	-	-	-	-	101	-	433	62

(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 as of June 30, 2022, amounted to NIS (197) 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 six months ended June 30, 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 June 30, 2021	Unrealized gain (losses) in respect of instruments held as at June 30, 2021
	In NIS million										
Assets											
Available-for-sale securities:											
Israeli Government	33	1	2	-	-	-	-	-	-	36	2
Foreign financial institutions	-	1	-	-	-	-	-	(1)	-	-	-
MBS/ABS	2,556	156	1	905	(33)	(642)	-	-	(479)	2,464	5
Other foreign entities	8	-	-	-	-	(3)	-	-	(5)	-	-
Total available-for-sale bonds	2,597	158	3	905	(33)	(645)	-	(1)	(484)	2,500	7
Held-for-trading bonds:											
MBS/ABS	22	1	-	-	-	(1)	-	-	(5)	17	-
Other foreign entities	2	-	-	-	-	-	-	-	(2)	-	-
Total held-for-trading bonds	24	1	-	-	-	(1)	-	-	(7)	17	-
Assets in respect of derivatives:											
NIS-CPI contracts	148	(10)	-	-	-	-	-	1	-	139	(88)
Interest rate contracts	439	(16)	-	-	-	(209)	-	-	-	214	(413)
Foreign exchange rate contracts	1,158	(1,776)	-	1,066	-	-	-	-	-	448	(17)
Stock contracts	18	52	-	-	-	-	-	-	-	70	39
Commodity- and other contracts	4	295	-	-	-	-	-	-	-	299	297
Total underlying assets for derivatives	1,767	(1,455)	-	1,066	-	(209)	-	1	-	1,170	(182)
Total assets	4,388	(1,296)	3	1,971	(33)	(855)	-	-	(491)	3,687	(175)
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	63	(52)	-	-	-	-	-	49	-	60	17
Foreign exchange rate contracts	176	32	-	-	-	-	-	-	-	208	-
Stock contracts	-	-	7	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	239	(20)	7	-	-	-	-	49	-	275	17
Total - other	-	2	-	-	-	-	-	-	-	2	3
Total liabilities	239	(18)	7	-	-	-	-	49	-	277	20

(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 as of June 30, 2021, amounted to NIS 7 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 rate 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 rate 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

	June 30, 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	28	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Asset-backed (ABS) or mortgage-backed (MBS) bonds	4,070	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	14	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	4	Discounted cash flows	Spread	105-210 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	186	Discounted cash flows	Expected inflation	0.75%-3.15%	1.95%
	6	Discounted cash flows	Counterparty risk	0.34%-100%[*]	1.24%
Interest rate contracts	15	Discounted cash flows	Counterparty risk	0.34%-100%[*]	1.24%
Foreign exchange rate contracts	2,639	Discounted cash flows	Counterparty risk	0.34%-100%[*]	1.24%
Stock contracts	3,364	Discounted cash flows	Counterparty risk	0.34%-100%[*]	1.24%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	147	Discounted cash flows	Expected inflation	0.75%-3.15%	1.95%
Foreign exchange rate contracts	279	Discounted cash flows	Expected inflation	0.75%-3.15%	1.95%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.34%-100%	1.24%
b. Items measured at fair value on a non-recurring basis					
Impaired loans whose collection is collateral-dependent	168	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.)

	June 30, 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	36	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Asset-backed (ABS) or mortgage-backed (MBS) bonds	2,464	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	17	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	110	Discounted cash flows	Expected inflation	(0.05%)-1.82%	0.89%
	29	Discounted cash flows	Counterparty risk	0.13%-100%[*]	1.39%
Interest rate contracts	214	Discounted cash flows	Counterparty risk	0.13%-100%[*]	1.39%
Foreign exchange rate contracts	448	Discounted cash flows	Counterparty risk	0.13%-100%[*]	1.39%
Stock contracts	68	Discounted cash flows	Counterparty risk	0.13%-100%[*]	1.39%
Structured - stocks	2	Discounted cash flows	Stock prices	0%-0.09%	0.05%
Commodity contracts	299	Discounted cash flows	Counterparty risk	0.13%-100%[*]	1.39%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	60	Discounted cash flows	Expected inflation	(0.05%)-1.82%	0.89%
Foreign exchange rate contracts	208	Discounted cash flows	Expected inflation	(0.05%)-1.82%	0.89%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.13%-100%	1.39%
Other	2	Discounted cash flows	Stock prices	0%-0.09%	0.05%
b. Items measured at fair value on a non-recurring basis					
Impaired loans whose collection is collateral-dependent	567	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 rate 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 rate 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 subsequent to the Balance Sheet Date

A. Bank Leumi USA and the merger transaction with Valley National Bancorp

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.

As a result of the merger, a profit of NIS 645 million, net of tax, was recorded. From the above amount, an amount of approx. NIS 194 million was recorded in the first quarter of 2022 and a total of NIS 451 million was recorded in the second quarter.

Starting from April 1, 2022, the Bank is accounting for the investment in Valley according to the equity method and classifies its investment in Valley as a foreign operation whose functional currency is other than the shekel.

For more information, please see Note 36.G to the financial statements as at December 31 2021.

Primary data relating to the investment in Valley as at April 1, 2022

	In NIS million
Value of Valley shares received	3,047
Share in equity conferring rights to receive profits	2,045
Recognized initial goodwill[(a)]	1,013

(a) As made possible under GAAP, the above data is based on an initial attribution of the acquisition proceeds, based on the fair value estimates. These assessments are preliminary and are based on available information and various assumptions, which the Bank considers reasonable under the circumstances. Actual results may differ. The Bank will complete the said process during the period, which will not exceed one year from the acquisition date.

The market value of the Valley shares held by the Bank as at June 30, 2022 is NIS 2,618 million.

Balances of the assets of Bank Leumi USA derecognized from the Bank's books as at the transaction completion date

	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	25,896

Note 16 - Miscellaneous Topics and Events subsequent to the Balance Sheet Date (cont.)

Balances of the liabilities of Bank Leumi USA derecognized from the Bank's books for deconsolidation purposes as at the transaction completion date

	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	23,305

B. 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, including the receipt of the required permits for the move from the Bank of Israel and the transfer of most of the credit portfolio of BLUK to LABL.

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

C. 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.

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 Service Campus in Lod.

D. 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.

Note 16 - Miscellaneous Topics and Events subsequent to the Balance Sheet Date (cont.)

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 Ethereum - the leading crypto currencies with the highest trading volumes worldwide. The service will be launched after obtaining all the required regulatory approvals.

E. Impact of the Coronavirus Crisis and of the Russia-Ukraine War

The coronavirus pandemic continues to produce 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 restrictions implemented in China harmed the ongoing economic activity. In some leading world countries, the vaccination process, including administering booster shots, was relatively successful, which has improved the ability to “live alongside the Corona”. Recently, since the end of May 2022, an increase in morbidity can again be seen in Israel, which is reflected in an increase in the number of people infected and in the number of people hospitalized with the virus, mainly patients in a mild-moderate condition. The Israeli Government has not yet intensified the various restrictions related to dealing with the outbreak of morbidity.

The war in Ukraine erupted towards the end of February 2022. The war resulted in considerable disruption of economic activity and exports from Ukraine, including a large agricultural output component. At the same time, sanctions were imposed on Russia, in various areas, while many economies around the world reduced the import of energy and other products therefrom. The prices of commodities were affected and rose significantly, with an emphasis on energy, agriculture and industrial metals.

Due to the global economic effects of the reopening of the economies, alongside the impact of the restrictions in China and the Russia-Ukraine war, there has been a further acceleration in inflation in the world, and central banks around the world are working to reduce the monetary conditions, while continuously raising interest rates and reducing the various quantitative tools. Along with the tightening of monetary conditions, there has been a deterioration in the financial markets around the world that has created a deterioration in the financial conditions, which are getting tighter. The effects of the war in Ukraine, along with the expected effect of the tightened financial conditions, has resulted in large international entities, such as the OECD, considerably reducing the global growth forecasts for the years 2022-2023.

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

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 second 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).

On June 8, 2022, the Bank published a preliminary notice regarding the intention to summon an extraordinary annual general meeting of the Bank's shareholders to discuss several topics, including the appointment of an external director in accordance with the requirements of the Companies Law, 1999 (hereinafter - the "**Companies Law**") and the appointment of two directors who are not external directors as stated in Section 11D(a)(2) of the Banking Ordinance, 1941 (hereinafter: the "**Banking Ordinance**", "**Director with an Other Director Status**"). For more information, please see the immediate report published by the Bank on June 8, 2022 (Ref. No. 2022-01-071101).

On June 29, 2022, the Bank published a summons to an extraordinary annual general meeting to be convened on August 4, 2022, and on the agenda, the following topics were included: the appointment of an external director in accordance with the requirements of the Companies Law and the appointment of two directors who are not external directors as stated in Section 11D(a)(2) of the Banking Ordinance. On July 14, 2022, the Bank published a supplementary report to the above General Meeting Summons Report.

More information about the candidates and the other items on the meeting's agenda was provided in the summons to the annual meeting published by the Bank according to law. For more information, please see the immediate reports dated June 29, 2022 and July 14, 2022 (Ref. Nos. 2022-01-081190 and 2022-01-089413, respectively) (hereinafter - the "**Meeting Summons Report**").

On August 4, 2022, the annual extraordinary general meeting approved the following resolutions:

1. To reappoint the auditing firms Somekh Chaikin (KPMG) and Brightman Almagor Zohar & Co. (Deloitte) as the Bank's joint independent auditors for the period starting on the date of approval of the current annual general meeting through the end of the Bank's next annual general meeting and to authorize the Bank's Board of Directors to set their fees.
2. To appoint Mr. Tzvi Nagan as a director with the status of External Director pursuant to the provisions of the Companies Law, 1999 for a 3-year period upon and subject to receipt of approval or non-objection of the Banking Supervision Department.
3. To reappoint Ms. Esther Dominissini as a director with the status of "Other Director" for a 3-year period upon and subject to the approval or non-objection of the Banking Supervision Department.
4. To reappoint Ms. Irit Shlomi as a director with the status of "Other Director" for a 3-year period upon and subject to the approval or non-objection of the Banking Supervision Department.
5. To adopt the amendments to the Bank's Articles of Association, in accordance with the wording of the Articles attached as Appendix D to the Meeting Summons Report.
6. To approve the updated compensation policy of officers as detailed in Appendix E to the Meeting Summons Report.

For more information, please see the immediate report on the results of the General Meeting dated August 4, 2022 (Ref. No. 2022-01-099364).

For more information regarding the directors' competencies as required by Directive 301, please see the section entitled Members of the Bank's Board of Directors in the financial statements as at December 31, 2021.

The Internal Auditor

Information 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 the considerations taken into account in formulating the work plans were included in the financial statements as at December 31, 2021.

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 June 30, 2022, please see the immediate report on the status of holdings of interested parties and senior officers dated July 7, 2022 (Ref. No.: 2022-01-085876). 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 serves 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 the main 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 financial statement as at December 31, 2021.

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 in 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. 420, Sending Notices via Means of Communications

Further to that stated in the section entitled Laws and Regulations Governing the Banking System in the Corporate Governance Report for 2021, regarding the amendment of Proper Conduct of Banking Business Directive No. 420, Sending Notices via Means of Communications, on June 13, 2022, the Banking Supervision Department announced that the amendment, which was scheduled to enter into effect one year from its publication, i.e. on June 6, 2021, will be postponed until January 1, 2023.

The Bank is preparing to implement the amendment.

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.

On July 7, 2022, the Banking Supervision Department published an amendment to the directive, which mainly refers to the following subjects: (1) The manner of integrating targeted loans (known in the general public as “eligible loans”) in the approval in principle; (2) The information provided to the customer for the purpose of examining the feasibility of early repayment; (3) The content of the online calculator. This update to the directive is intended to provide a response to questions that arose during the banking corporations’ work implementing the directive.

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 June 13, 2022, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive No. 449, Simplifying Agreements for Customers. In the amendment, adjustments were made to the directive, in line with the amendments made to Proper Conduct of Banking Business Directive No. 451. This amendment will enter into effect on August 31, 2022.

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 directive for allocation of additional capital in respect of highly-leveraged land, as detailed below; (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.

Further to the letter, on May 25, 2022, an amendment to the Proper Conduct of Banking Business Directive No. 203, Measurement and Capital Adequacy - the standardized approach - Credit Risk was published, which determined that the list of debts risk-weighted at 150 percent will also include loans intended for the purchase of land for development or construction, at an LTV rate exceeding 80 percent, excluding loans for the purchase of agricultural land with no planning or rezoning prospects, and excluding loans for the purchase of land for self-use of a borrower who is not classified in the construction and real estate sector according to the sectoral classification in the Banking Supervision Reporting Directive 831 - "Total Credit Risk by Economic Sector". This update will enter into effect from the financial statements as of June 30, 2022, but the banks may distribute the effect of the change in the risk weighting on the capital adequacy ratio in respect of the existing loan inventory on June 30, 2022, at fixed quarterly rates until June 30, 2023. Accordingly, the distribution will be implemented starting from the third quarter of 2022, over four quarters, so that in the quarter ending on June 30, 2023, the capital requirement will be fully reflected.

The Bank believes that the circular will not have a material effect.

Amendment of Proper Conduct of Banking Business Directives 301, Board of Directors, and 301A, Compensation Policy at Banking Corporations

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 to Proper Conduct of Banking Business Directives Nos. 221 and 222 regarding the Liquidity Coverage Ratio and the Net Stable Funding Ratio and the Q&A file on the subject

Please see the section entitled "Liquidity Risk" in the Report of the Board of Directors and Management.

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. In the reporting period, an amendment to the directive was published, which determined provisions regarding the prohibition of the receipt of favors, in accordance with the authority of the Banking Supervision Department according to the Financial Information Service Law, 2021.

The Bank is preparing to implement the directive gradually, in accordance with the effective dates therein.

The Draft Banking Ordinance (Customer Service) (Supervision of Transaction Services by a Clerk, Transaction in a Direct Channel, Expanded Track and Expanded Track Plus), 2022

According to the draft published on August 9, 2022, the following current account services are declared under supervision: (a) Transaction by a clerk; (b) Transaction in a direct channel; (c) Expanded track; (d) Expanded track plus. The supervision signifies, according to Section 9M of the Banking Law (Customer Service), 1981, that a banking corporation that wishes to raise the rate for these services compared to the existing prices as of the date of publication of the ordinance will be required to submit a reasoned request to the Banking Supervision Department. The Banking Supervision Department will be entitled to permit the rate increase, reject the request or ask for additional information.

The Bank is examining the possible effect of the Draft Ordinance, if it is published.

Legislation

The Banking Law (Customer Service)(Amendment No. 34), 2022

According to the amendment published on June 22, 2022, a banking corporation will be entitled, for handling an application for a housing loan, to collect a fee at a rate not exceeding NIS 360.

The beginning of the aforementioned amendment is two months from the date of its publication and it will apply to housing loan applications submitted on or after the start date.

On July 21, 2022, the Banking Supervision Department published a letter that includes clarifications regarding the implementation of the amendment, including clarifications on the following topics: the types of customers and the services to which the amendment will apply, the maximum price that the banks are required to display in the list of fees and commissions.

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 for Male and Female Employees Law, 1996 (Amendment No. 6, 2020)

Until June 1, 2022, various employers, including reporting corporations, are required to prepare reports for 2021, which will be published on the Internet site of the corporation, on the wage gaps between male and female employees, under Amendment No. 6 to the Equal Pay for Male and Female Employees Law, 1996.

Credit Rating

Following are the credit ratings and outlook of the State of Israel and the Bank as at August 15, 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 August 15, 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.

On July 20, 2022, credit rating agency S&P reiterated the Bank's rating and rating outlook.

On July 26, 2022, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

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 June 30					
			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	**345,810**	**3,469**	**4.01**	284,555	2,683	3.77
Outside Israel	**5,710**	**59**	**4.13**	23,291	221	3.80
Total[i]	**351,520**	**3,528**	**4.01**	307,846	2,904	3.77
Loans to the government						
In Israel	**1,156**	**12**	**4.15**	865	8	3.70
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,156**	**12**	**4.15**	865	8	3.70
Deposits with banks						
In Israel	**15,214**	**28**	**0.74**	11,561	15	0.52
Outside Israel	**110**	**-**	**-**	195	-	-
Total	**15,324**	**28**	**0.73**	11,756	15	0.51
Deposits with central banks						
In Israel	**121,608**	**142**	**0.47**	111,790	27	0.10
Outside Israel	**1,202**	**2**	**0.67**	2,472	1	0.16
Total	**122,810**	**144**	**0.47**	114,262	28	0.10
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	**2,343**	**4**	**0.68**	5,550	2	0.14
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**2,343**	**4**	**0.68**	5,550	2	0.14
Bonds - held-to-maturity and available-for-sale[d]						
In Israel	**83,831**	**287**	**1.37**	71,832	226	1.26
Outside Israel	**-**	**-**	**-**	6,100	29	1.90
Total	**83,831**	**287**	**1.37**	77,932	255	1.31
Bonds - Held-for-trading[d]						
In Israel	**3,387**	**23**	**2.72**	2,685	14	2.09
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**3,387**	**23**	**2.72**	2,685	14	2.09
Total interest-bearing assets	**580,371**	**4,026**	**2.77**	520,896	3,226	2.48
Non-interest-bearing receivables for credit cards	**6,207**			5,408		
Other non-interest-bearing assets[e]	**62,879**			51,032		
Total assets	**649,457**	**4,026**		577,336	3,226	
Total interest-bearing assets attributed to foreign operations	**7,022**	**61**	**3.47**	32,058	251	3.13

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Equity

	For the three months ended June 30					
	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	353,701	540	0.61	309,912	269	0.35
Demand deposits	204,642	91	0.18	178,861	3	0.01
Fixed deposits	149,059	449	1.20	131,051	266	0.81
Outside Israel	1,981	7	1.41	13,384	9	0.27
Demand deposits	33	-	-	9,295	2	0.09
Fixed deposits	1,948	7	1.24	4,089	7	0.68
Total	355,682	547	0.62	323,296	278	0.34
Deposits by the Israeli Government						
In Israel	315	1	1.27	199	-	-
Outside Israel	-	-	-	10	-	-
Total	315	1	1.27	209	-	-
Deposits by central banks						
In Israel	16,934	2	0.05	13,839	3	0.09
Outside Israel	-	-	-	-	-	-
Total	16,934	2	0.05	13,839	3	0.09
Deposits by banks						
In Israel	6,645	2	0.12	5,954	1	0.07
Outside Israel	35	-	-	117	-	-
Total	6,680	2	0.12	6,071	1	0.07
Securities loaned or sold under reverse repurchase agreements						
In Israel	3,536	9	1.02	175	1	2.29
Outside Israel	-	-	-	257	-	-
Total	3,536	9	1.02	432	1	0.93
Bonds						
In Israel	21,330	340	6.38	13,124	169	5.15
Outside Israel	-	-	-	-	-	-
Total	21,330	340	6.38	13,124	169	5.15
Total interest-bearing liabilities	404,477	901	0.89	356,971	452	0.51
Non-interest-bearing deposits by the public	164,370			145,391		
Non-interest-bearing payables for credit cards	1,551			3,004		
Other non-interest-bearing liabilities[(f)]	34,603			31,861		
Total liabilities	605,001	901		537,227	452	
Total capital resources	44,456			40,109		
Total capital commitments and resources	649,457	901		577,336	452	
Interest rate spread		3,125	1.88		2,774	1.97
Net return[(g)] on interest-bearing assets						
In Israel	573,349	3,070	2.14	488,838	2,532	2.07
Outside Israel	7,022	55	3.08	32,058	242	3.02
Total	580,371	3,125	2.15	520,896	2,774	2.13
Total interest-bearing liabilities attributed to foreign operations	2,016	7	1.39	13,768	9	0.26

Please see comments below.

Part A - Average Balances and Interest Rates - Assets

	For the six months ended June 30					
			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	**334,925**	**6,257**	**3.74**	278,976	4,815	3.45
Outside Israel	**15,252**	**294**	**3.86**	22,771	437	3.84
Total[i]	**350,177**	**6,551**	**3.74**	301,747	5,252	3.48
Loans to the government						
In Israel	**1,099**	**21**	**3.82**	780	12	3.08
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,099**	**21**	**3.82**	780	12	3.08
Deposits with banks						
In Israel	**15,984**	**43**	**0.54**	11,253	32	0.57
Outside Israel	**205**	**-**	**-**	157	-	-
Total	**16,189**	**43**	**0.53**	11,410	32	0.56
Deposits with central banks						
In Israel	**129,627**	**175**	**0.27**	106,833	53	0.10
Outside Israel	**1,724**	**4**	**0.46**	1,724	1	0.12
Total	**131,351**	**179**	**0.27**	108,557	54	0.10
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	**2,771**	**5**	**0.36**	4,388	3	0.14
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**2,771**	**5**	**0.36**	4,388	3	0.14
Bonds - held-to-maturity and available-for-sale[d]						
In Israel	**80,414**	**526**	**1.31**	73,051	410	1.12
Outside Israel	**2,216**	**27**	**2.44**	5,302	57	2.15
Total	**82,630**	**553**	**1.34**	78,353	467	1.19
Bonds - Held-for-trading[d]						
In Israel	**2,834**	**35**	**2.47**	2,819	18	1.28
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**2,834**	**35**	**2.47**	2,819	18	1.28
Total interest-bearing assets	**587,051**	**7,387**	**2.52**	508,054	5,838	2.30
Non-interest-bearing receivables for credit cards	**5,947**			5,249		
Other non-interest-bearing assets[e]	**58,613**			53,219		
Total assets	**651,611**	**7,387**		566,522	5,838	
Total interest-bearing assets attributed to foreign operations	**19,397**	**325**	**3.35**	29,954	495	3.31

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Equity

	For the six months ended June 30					
	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	347,316	796	0.46	306,318	432	0.28
Demand deposits	202,940	97	0.10	176,148	7	0.01
Fixed deposits	144,376	699	0.97	130,170	425	0.65
Outside Israel	6,619	15	0.45	13,549	21	0.31
Demand deposits	3,985	3	0.15	9,349	5	0.11
Fixed deposits	2,634	12	0.91	4,200	16	0.76
Total	353,935	811	0.46	319,867	453	0.28
Deposits by the Israeli Government						
In Israel	319	1	0.63	202	1	0.99
Outside Israel	-	-	-	12	-	-
Total	319	1	0.63	214	1	0.93
Deposits by central banks						
In Israel	16,994	5	0.06	11,875	5	0.08
Outside Israel	-	-	-	-	-	-
Total	16,994	5	0.06	11,875	5	0.08
Deposits by banks						
In Israel	6,574	4	0.12	5,895	2	0.07
Outside Israel	45	-	-	129	-	-
Total	6,619	4	0.12	6,024	2	0.07
Net change in securities loaned or sold under reverse repurchase agreements						
In Israel	2,899	11	0.76	456	1	0.44
Outside Israel	-	-	-	255	-	-
Total	2,899	11	0.76	711	1	0.28
Bonds						
In Israel	19,972	531	5.32	13,851	254	3.67
Outside Israel	-	-	-	-	-	-
Total	19,972	531	5.32	13,851	254	3.67
Total interest-bearing liabilities	400,738	1,363	0.68	352,542	716	0.41
Non-interest-bearing deposits by the public	173,026			138,030		
Non-interest-bearing payables for credit cards	1,666			3,007		
Other non-interest-bearing liabilities[f]	33,397			33,806		
Total liabilities	608,827	1,363		527,385	716	
Total capital resources	42,784			39,137		
Total capital commitments and resources	651,611	1,363		566,522	716	
Interest rate spread		6,024	1.84		5,122	1.89
Net return[g] on interest-bearing assets						
In Israel	567,654	5,714	2.01	478,100	4,648	1.94
Outside Israel	19,397	310	3.20	29,954	474	3.16
Total	587,051	6,024	2.05	508,054	5,122	2.02
Total interest-bearing liabilities attributed to foreign operations	6,664	15	0.45	13,945	21	0.30

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 June 30					
	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	**55,747**	**1,385**	**9.94**	51,483	1,006	7.82
Total interest-bearing liabilities	**22,999**	**(478)**	**(8.30)**	17,885	(298)	(6.66)
Interest rate spread			**1.64**			1.16
Unlinked NIS						
Total interest-bearing assets	**422,723**	**2,276**	**2.15**	357,424	1,705	1.91
Total interest-bearing liabilities	**309,936**	**(229)**	**(0.30)**	269,309	(87)	(0.13)
Interest rate spread			**1.85**			1.78
Foreign currency						
Total interest-bearing assets	**94,879**	**304**	**1.28**	79,931	264	1.32
Total interest-bearing liabilities	**69,526**	**(188)**	**(1.08)**	56,009	(58)	(0.41)
Interest rate spread			**0.20**			0.91
Total activity in Israel						
Total interest-bearing assets	**573,349**	**3,965**	**2.77**	488,838	2,975	2.43
Total interest-bearing liabilities	**402,461**	**(895)**	**(0.89)**	343,203	(443)	(0.52)
Interest rate spread			**1.88**			1.91

Please see comments below.

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Activities in Israel (cont.)

	For the six months ended June 30					
	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	54,834	2,355	8.59	50,551	1,451	5.74
Total interest-bearing liabilities	22,086	(765)	(6.93)	18,471	(393)	(4.26)
Interest rate spread			1.66			1.48
Unlinked NIS						
Total interest-bearing assets	420,562	4,122	1.96	348,916	3,358	1.92
Total interest-bearing liabilities	303,653	(318)	(0.21)	263,804	(179)	(0.14)
Interest rate spread			1.75			1.78
Foreign currency						
Total interest-bearing assets	92,258	585	1.27	78,633	534	1.36
Total interest-bearing liabilities	68,335	(265)	(0.78)	56,322	(123)	(0.44)
Interest rate spread			0.49			0.92
Total activity in Israel						
Total interest-bearing assets	567,654	7,062	2.49	478,100	5,343	2.24
Total interest-bearing liabilities	394,074	(1,348)	(0.68)	338,597	(695)	(0.41)
Interest rate spread			1.81			1.83

Please see comments below.

Part D - Analysis of Changes in Interest Income and Interest Expenses

	2022 vs. 2021			2022 vs. 2021		
	For the three months ended June 30			For the six months ended June 30		
	Increase (decrease) due to change[h]		Net change	Increase (decrease) due to change[h]		Net change
	Quantity	Price		Quantity	Price	
	In NIS million					
Interest-bearing assets						
Loans to the public						
In Israel	614	172	786	1,045	397	1,442
Outside Israel	(182)	20	(162)	(145)	2	(143)
Total	432	192	624	900	399	1,299
Other interest-bearing assets						
In Israel	51	153	204	116	161	277
Outside Israel	(11)	(17)	(28)	(23)	(4)	(27)
Total	40	136	176	93	157	250
Total interest income	472	328	800	993	556	1,549
Interest-bearing liabilities						
Deposits by the public						
In Israel	67	204	271	94	270	364
Outside Israel	(40)	38	(2)	(16)	10	(6)
Total	27	242	269	78	280	358
Other interest-bearing liabilities						
In Israel	112	68	180	171	118	289
Outside Israel	-	-	-	-	-	-
Total	112	68	180	171	118	289
Total interest expenses	139	310	449	249	398	647

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 were deducted from/added to the average outstanding held-for-trading bonds and available-for-sale bonds, as were gains/losses in respect of available-for-trading 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 item in respect of bonds transferred from the available-for-sale portfolio for the three- and six-month periods ended June 30, 2022, in the amount of NIS (1,343) million and (361) million, respectively, and for the three- and six-month periods ended June 30, 2021 - NIS 1,147 million and NIS 1,501 million, respectively.

(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 and six-month periods ended June 30, 2022 in the amount of NIS 119 million and NIS 253 million, respectively, were included in the interest income from loans to the public (fees and commissions for the three-month and six-month periods ended June 30, 2021 in the amount of NIS 110 million and NIS 261 million, respectively).

(j) Annualized; as of January 1, 2022, the Bank applies 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 an annual basis was revised, according to the accepted method in US banks. Therefore, the translation of the quarterly and periodic ratios will be carried out using a linear calculation, instead of exponentiation, according to the previous presentation method. According to the circular's provisions, the Bank classified the comparative figures of the 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.

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 for 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 NSFR is to improve the long-term liquidity ratio profile of banking corporations by requiring them to maintain a stable funding ratio according to the composition of their assets and off-balance-sheet activities. The ratio limits banking corporations' over-relyance on wholesale short-term financing. Measurement - both for consolidated and separate reporting purposes - is made each quarter and the requirement is to comply with a 100 percent rate.
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, excluding 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.